
City of Jenkins, Kentucky

Audited Financial Statements

June 30, 2019

CITY OF JENKINS

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Year Ended June 30, 2019

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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, 2019, 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, 2019, 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 December 31, 2019, 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
December 31, 2019

City of Jenkins
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 58,432	\$ 219	\$ 58,651
Restricted cash	0	20,670	20,670
Accounts receivable, net	18,861	88,871	107,732
Total current assets	<u>77,293</u>	<u>109,760</u>	<u>187,053</u>
Noncurrent Assets:			
Capital assets (net)	<u>2,263,664</u>	<u>16,243,075</u>	<u>18,506,739</u>
Total Assets	<u>2,340,957</u>	<u>16,352,835</u>	<u>18,693,792</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	9,336	26,663	35,999
Payroll related liabilities	11,703	10,369	22,072
Notes payable	64,124	101,836	165,960
Total current liabilities	<u>85,163</u>	<u>138,868</u>	<u>224,031</u>
Noncurrent Liabilities:			
Water deposits	0	73,886	73,886
Notes payable	447,577	2,629,791	3,077,368
Total noncurrent liabilities	<u>447,577</u>	<u>2,703,677</u>	<u>3,151,254</u>
Total Liabilities	<u>532,740</u>	<u>2,842,545</u>	<u>3,375,285</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,751,963	13,511,448	15,263,411
Restricted	22,578	20,670	43,248
Unrestricted	33,676	(21,824)	11,852
Total Net Position	<u>\$ 1,808,217</u>	<u>\$ 13,510,294</u>	<u>\$ 15,318,511</u>

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental Activities:					
General government	\$ 577,409	\$ -	\$ -	\$ -	\$ (577,409)
Depreciation	26,995	0	0	0	(26,995)
Interest	21,961	0	0	0	(21,961)
Public safety	210,122	0	0	0	(210,122)
Depreciation	50,220	0	0	0	(50,220)
Interest	0	0	0	0	0
Transportation	35,711	0	0	0	(35,711)
Streets-Depreciation	3,714	0	0	0	(3,714)
Streets-Interest	0	0	0	0	0
Cultural and recreation	56,816	0	0	0	(56,816)
Depreciation	37,227	0	0	0	(37,227)
Interest	0	0	0	0	0
Community development	25,253	0	0	0	(25,253)
Total governmental activities	1,045,428	0	0	0	(1,045,428)
Business-type activities:					
Water	943,087	480,597	0	0	(462,490)
Sewer	463,643	321,086	0	0	(142,557)
Solid waste	170,219	234,004	0	0	63,785
Total business-type activities	1,576,949	1,035,687	0	0	(541,262)
Total	\$ 2,622,377	\$ 1,035,687	\$ -	\$ -	\$ (1,586,690)

Changes In Net Assets:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,045,428)	\$ (541,262)	\$ (1,586,690)
General revenues:			
Taxes:			
Property	157,624	0	157,624
Payroll	181,982		181,982
Franchise and public service	189,216	0	189,216
Insurance	115,282	0	115,282
License and permits	13,166	0	13,166
Intergovernmental	194,249	0	194,249
Investment income	105	67	172
Other	78,085	0	78,085
Transfers	38,501	(38,501)	0
Total general revenues and transfers	968,210	(38,434)	929,776
Change in net assets	(77,218)	(579,696)	(656,914)
Net assets-beginning	1,885,435	14,089,990	15,975,425
Net assets-ending	\$ 1,808,217	\$ 13,510,294	\$ 15,318,511

See accompanying notes to the basic financial statements.

City of Jenkins
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Assets				
Cash and cash equivalents	\$ 35,855	\$ 2,436	\$ 20,141	\$ 58,432
Investments	0	0	0	0
Receivables, net	18,861	0	0	18,861
Total assets	\$ 54,716	\$ 2,436	\$ 20,141	\$ 77,293
Liabilities and Fund Balances				
Liabilities:				
Payroll liabilities	\$ 11,703	\$ -	\$ -	\$ 11,703
Accounts payable	9,336	0	0	9,336
Total Liabilities	21,039	0	0	21,039
Fund balances:				
Reserved for:				
Assigned	0	2,436	20,141	22,577
Unassigned	33,674	0	0	33,674
Total fund balances	33,674	2,436	20,141	56,251
Total liabilities and fund balances	\$ 54,716	\$ 2,436	\$ 20,141	

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. (511,701)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 981,383 2,263,664

Net assets of governmental activities **\$ 1,808,214**

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, 2019

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Revenues				
Property taxes	\$ 157,624	\$ -	\$ -	\$ 157,624
Payroll taxes	181,982	0	0	181,982
Franchise taxes	189,216	0	0	189,216
Insurance tax	115,282	0	0	115,282
Licenses and permits	13,166	0	0	13,166
Intergovernmental	105,742	41,376	47,131	194,249
Proceeds from financing	115,372	0	0	115,372
Investment earnings	105	0	0	105
Rent	23,963	0	0	23,963
Parks and recreation	44,504	0	0	44,504
Sale of surplus property	0	0	0	0
Miscellaneous	9,619	0	0	9,619
Total revenues	956,575	41,376	47,131	1,045,082
Expenditures				
Current:				
General government	563,830	13,579	0	577,409
Public Safety	171,313	0	38,809	210,122
Road	0	35,712	0	35,712
Parks and recreation	56,816	0	0	56,816
Community development	25,253	0	0	25,253
Debt service:				
Principal	173,833	0	0	173,833
Interest and other charges	21,961	0	0	21,961
Capital outlay	0	0	0	0
Total expenditures	1,013,006	49,291	38,809	1,101,106
Excess (deficiency) of revenues over expenditures	(56,431)	(7,915)	8,322	(56,024)
Other Financing Sources (Uses)				
Transfers in	64,247	0	0	64,247
Transfers out	(25,746)	0	0	(25,746)
Grants	0	0	0	0
Total other financing sources and uses	38,501	0	0	38,501
Net Change in Fund Balances	(17,930)	(7,915)	8,322	(17,523)
Fund Balances-beginning	51,604	10,351	11,819	73,774
Fund Balances-Ending	\$ 33,674	\$ 2,436	\$ 20,141	\$ 56,251

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, 2019

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 \$ (17,523)

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	173,833
Loan financing	(115,372)
Depreciation expense	<u>(118,156)</u>
	<u>(59,695)</u>

Change in Net Assets of Governmental Activities \$ (77,218)

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Net Assets
Proprietary Funds

June 30, 2019

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ (1,577)	\$ 1,796	\$ -	\$ 219
Investments	0	0	0	-
Restricted cash	17,533	3,137	0	20,670
Receivables, net	44,704	32,183	11,984	88,871
Other current assets	0	0	0	-
Total current assets	60,660	37,116	11,984	109,760
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	(5,192,668)	(5,277,404)	(154,102)	(10,624,174)
Total noncurrent assets	12,539,078	3,580,079	123,918	16,243,075
Total assets	12,599,738	3,617,195	135,902	16,352,835
Liabilities				
Current liabilities				
Accounts payable	10,593	3,096	12,974	26,663
Accrued compensated leave	5,942	2,101	2,326	10,369
Bonds, notes, and loans payable	101,836	0	0	101,836
Total current liabilities	118,371	5,197	15,300	138,868
Noncurrent liabilities:				
Water deposits	73,886	0	0	73,886
Bonds, notes, and loans payable	2,629,791	0	0	2,629,791
Total noncurrent liabilities	2,703,677	0	0	2,703,677
Total liabilities	2,822,048	5,197	15,300	2,842,545
Net Assets				
Invested in capital assets, net of related debt	9,807,451	3,580,079	123,918	13,511,448
Restricted(nonexpendable)	17,533	3,137	0	20,670
Unrestricted	(47,294)	28,785	(3,315)	(21,824)
Total net assets	\$ 9,777,690	\$ 3,612,001	\$ 120,603	\$ 13,510,294

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, 2019

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Operating revenues:				
Charges for services	\$ 446,580	\$ 296,816	\$ 232,738	\$ 976,134
Miscellaneous	34,017	24,270	1,266	59,553
Total operating revenues	<u>480,597</u>	<u>321,086</u>	<u>234,004</u>	<u>1,035,687</u>
Operating expenses:				
Cost of goods sold	92,690	66,240	69,690	228,620
Personnel services	244,954	107,044	77,258	429,256
Materials and supplies	32,098	30,040	4,716	66,854
Other services and charges	76,975	38,882	8,382	124,239
Depreciation	448,638	221,437	9,336	679,411
Total operating expenses	<u>895,355</u>	<u>463,643</u>	<u>169,382</u>	<u>1,528,380</u>
Net operating income	<u>(414,758)</u>	<u>(142,557)</u>	<u>64,622</u>	<u>(492,693)</u>
Nonoperating revenue (expense):				
Investment income	58	8	0	66
Interest expense	(47,731)	0	(837)	(48,568)
Grant and Intergovernmental	0	0	0	0
Total nonoperating revenue (expense)	<u>(47,673)</u>	<u>8</u>	<u>(837)</u>	<u>(48,502)</u>
Net Income before contributions and transfers	(462,431)	(142,549)	63,785	(541,195)
Insurance proceeds	0	0	0	0
Operating transfers in (out)	(64,247)	13,746	12,000	(38,501)
Net income	(526,678)	(128,803)	75,785	(579,697)
Net assets-beginning of year	<u>10,304,368</u>	<u>3,740,804</u>	<u>44,818</u>	<u>14,089,990</u>
Net assets-end of year	<u>\$ 9,777,690</u>	<u>\$ 3,612,001</u>	<u>\$ 120,603</u>	<u>\$ 13,510,294</u>

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 480,097	\$ 320,726	\$ 233,869	\$ 1,034,692
Payments to suppliers	(45,046)	(43,379)	(12,366)	(100,791)
Payments to employees	(244,954)	(107,044)	(77,258)	(429,256)
Other	(171,828)	(108,395)	(76,203)	(356,426)
Net cash provided (used) by operating activities	18,269	61,908	68,042	148,219
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Inter-fund transfers	356,554	(175,461)	(181,093)	0
Transfers (to) from other funds	(64,247)	13,746	12,000	(38,501)
Net Cash provided (used) by noncapital financing activities	292,307	(161,715)	(169,093)	(38,501)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Water deposits	4,889	0	0	4,889
Principal paid on capital debt	(103,918)	0	0	(103,918)
Interest paid on capital debt	(47,731)	0	(837)	(48,568)
Net cash provided (used) by capital and related financing activities	(146,760)	0	(837)	(147,597)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	58	8	0	66
Net increase (decrease) in cash and cash equivalents	163,874	(99,799)	(101,888)	(37,813)
Balances-beginning of year	(147,918)	104,732	101,888	58,702
Balances-end of year	15,956	4,933	0	20,889
Cash, including time deposits	(1,577)	1,796	0	219
Restricted cash, including time deposits	17,533	3,137	0	20,670
Total cash and cash equivalents, end of year	15,956	4,933	0	20,889
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	(414,758)	(142,557)	64,622	(492,693)
Adjustments:				
Depreciation expense	448,638	221,437	9,336	679,411
Change in assets and liabilities:				
Change in accounts receivable	500	360	135	995
Change in accounts payable	(12,948)	(13,339)	(7,650)	(33,937)
Change in compensated leave	(3,163)	(3,993)	1,599	(5,557)
Net cash provided (used) by operating activities	\$ 18,269	\$ 61,908	\$ 68,042	\$ 148,219

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, 2019

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, 2019

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, 2019

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, 2019 the proprietary funds had restricted Net Assets of \$20,670 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, 2019

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, 2019. 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, 2019, the City's deposits, \$79,321, 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	\$ 18,861	\$ 312,600	\$ 331,461
Allowance for doubtful accounts	0	(223,729)	(223,729)
Net Accounts Receivable	\$ 18,861	\$ 88,871	\$ 107,732

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2019

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance At				Balance At	
	July 1, 2018	Additions	Disposals		June 30, 2019	
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	0	0		337,617	
Totals	3,245,047	0	0		3,245,047	
Less Accumulated depreciation	(863,227)	(118,156)	0		(981,383)	
Net	\$ 2,381,820	\$ (118,156)	\$ 0	\$	2,263,664	
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	(9,944,763)	(679,411)	0		(10,624,174)	
Net	\$ 16,922,486	\$ (679,411)	\$ 0	\$	16,243,075	

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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2019

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	\$	(17,930)
Water	\$	(414,758)
Sewer	\$	(142,557)

NOTE 8. LONG-TERM DEBT

	Balance June 30 2018	Additions	Reductions	Balance June 30 2019	Current Portion
Governmental Funds					
Kentucky League of Cities:					
City Hall	\$ 92,529	\$ 0	\$ (5,640)	\$ 86,889	\$ 5,879
Kansas State Bank					
Fire Truck	137,979	0	(20,718)	117,261	21,580
Snow Plow	5,511	0	(5,511)	0	0
Insurance loan	9,514	115,372	(114,968)	9,918	9,918
Bond Issue 2012-C	135,833	0	(10,000)	125,833	10,000
Bond Issue 2013-A	161,379	0	(10,545)	150,834	10,000
HME Fire Truck EMT	27,417	0	(6,451)	20,966	6,747
Totals	\$ 570,162	\$ 115,372	\$ (173,833)	\$ 511,701	\$ 64,124
Debt Service for the Years Ended June 30,					
			<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020			\$ 64,124	\$ 16,861	\$ 80,985
2021			55,598	15,031	70,629
2022			57,047	13,112	70,159
2023			51,068	11,114	62,182
2024			52,372	9,304	61,676
2025-2029			139,674	29,103	168,777
2030-2034			88,907	7,113	96,020
2035			2,914	95	3,009
			\$ 511,704	\$ 101,733	\$ 613,437

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2019

Proprietary Funds						
	June 30			June 30		Current
	2018	Additions	Reductions	2019	Portion	
KIA A12-30	\$ 383,247	\$ -	\$ 21,220	\$ 362,027	\$ 21,379	
KIA F14-005	1,058,655	0	53,555	1,005,100	53,957	
USDA RD 91-01	404,000	0	8,500	395,500	8,500	
USDA RD 91-09	420,000	0	7,000	413,000	7,000	
USDA RD 92-12	566,500	0	10,500	556,000	11,000	
Solid Waste Vehicle	3,143	0	3,143	0	0	
Total	\$ 2,835,545	\$ -	\$ 103,918	\$ 2,731,627	\$ 101,836	
Debt Service for the Years Ended June 30,						
			Principal	Interest	Total	
2020			\$ 101,836	\$ 42,851	\$ 144,687	
2021			103,403	41,634	145,037	
2022			104,473	40,393	144,866	
2023			106,048	39,130	145,178	
2024			548,506	175,966	724,472	
2025-2029			585,031	140,996	726,027	
2030-2034			459,330	103,626	562,956	
2035-2039			226,500	74,049	300,549	
2040-2044			258,500	44,460	302,960	
2045-2049			217,000	13,046	230,046	
2050-2054			21,000	223	21,223	
Total			\$ 2,731,627	\$ 716,374	\$ 3,448,001	

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.

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

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

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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2019

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%.

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.

Others:

On September 25, 2014, the City entered a lease-purchase agreement for a 2014 Freightliner garbage Truck. The agreement calls for forty-eight payments of \$1,052.18 each beginning October 25, 2014. The interest rate is 2.45%.

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 2019 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 December 31, 2019, the date which the financial statements were available to be issued. The evaluation has disclosed the following event:

July 1, 2019: Council approved renewing line of credit with local bank.

City of Jenkins
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Acutal	Original	Final	\$ Over Budget
Income				
4109.00 ABC regulatory Fee	13,166	13,500	13,500	(334)
4110.00 Tower Rent	930	1,200	1,200	(270)
4111.00 City Taxes	102,051	100,000	100,000	2,051
4111.01 Bank Tax	6,228	6,291	6,291	(63)
4111.02 Payroll Tax Income	166,246	143,000	143,000	23,246
4112.00 Occupational License	15,736	12,000	12,000	3,736
4114.00 Telecommunications Tax	35,159	35,000	35,000	159
4114.01 AEP Power Franchise	99,881	114,000	114,000	(14,119)
4116.00 Base Court Revenue	5,673	7,480	7,480	(1,807)
4117.00 Ad Val Tax	32,412	35,000	35,000	(2,588)
4117.01 Motor Vehcile/Watercraf	4,481	3,800	3,800	681
4119.00 Delinquent Tax	17,850	61,000	61,000	(43,150)
4124.30 Municipal Aid	41,376	49,286	49,286	(7,910)
4125.00 Omitted Tangible	830	0	0	830
4127.00 Court Fines/Cita/Summon	989	1,500	1,500	(511)
4128.00 Insurance tax	115,282	112,300	112,300	2,982
4131.00 LGEA Coal Severance	12,603	17,620	17,620	(5,017)
4131.01 Municipal Mineral Tax	34,528	30,827	30,827	3,701
4133.00 Grants or Donations	2,200	0	0	2,200
4134.00 Public Service Tax	47,948	50,072	50,072	(2,124)
4135.30 Camden Bridge Income	0	0	0	0
4150.20 Police Incentive	9,206	12,000	12,000	(2,794)
4160.10 Misc Admin	0	1,000	1,000	(1,000)
4160.20 - Misc Police Income	2,226	0	0	2,226
4161.00 B & D Income	600	5,950	5,950	(5,350)
4168.00 Mexican R Bldg Rent	0	0	0	0
4169.00 Building Rent	23,313	39,450	39,450	(16,137)
4170.00 Old Jenkins High Rental	650	1,275	1,275	(625)
4171.00 Property Sale	0	0	0	0
4172.00 Parks & Recreation	390	600	600	(210)
4172.80 Pool Admissions	26,277	41,500	41,500	(15,223)
4172.81 Pool Concessions	11,537	0	0	11,537
4172.82 - Pool Parties	6,300	0	0	6,300
4174.50 - Homecoming Days Fest.	0	0	0	0
4180.10 Reimb Admin/Rev	2,484	0	0	2,484
4180.20 Reimbursements Police	37,521	0	0	37,521
4180.30 Reimbursement Road	4,149			
4180.40 - Reimbursements Fire	0	0	0	0
4180.80 Reimbursements to LGEA	0	0	0	0
4310.10 Interest Income-Admin	31	250	250	(219)
4310.11 Interest Income-B & D	7	0	0	7
4310.30 Interest Income-Road	0	60	0	0
4310.50 Interest Income-Parks	0	0	0	0
4310.70 Int. Inc.-Dtown Renov	0	0	0	0

	Acutal	Original	Final	\$ Over Budget
4310.80 Int Income Econ Aid	0	0	0	0
4310.90 Int. Inc. Revenue fund	46	0	0	46
Insurance loans	115,372	55,372	55,372	60,000
4400.00 Transfer from Utility	38,501	0	0	38,501
Total Income	1,034,179	951,333	951,273	82,906
Expense				
6000.00 Depreciation expense	118,156	0	118,156	0
6109.10 Non-employee Contract	6,266	18,600	18,600	(12,334)
6109.11 Refunds	1,311	0	0	1,311
6110.00 Payroll Expense				
6110.10 Payroll Admin	200,588	164,000	164,000	36,588
6110.20 Payroll Police	146,392	118,000	118,000	28,392
6110.60 Payroll Depot	14,179	15,000	15,000	(821)
6110.80 Payroll Pool	17,107	23,000	23,000	(5,893)
6110.00 Payroll Expense - Other	55	33,200	33,200	(33,145)
6120.00 Payroll Tax Expense	32,347	32,700	32,700	(353)
6122.01 401A Match	5,535	5,000	5,000	535
6185.10 AEP Street lights	38,527	46,000	46,000	(7,473)
6190.10 AEP Expense Admin	22,344	10,600	10,600	11,744
6190.11 AEP Expense Rental Bldg	1,816	0	0	1,816
6190.30 AEP Road	4,106	4,000	4,000	106
6190.40 AEP Fire Dept	7,825	7,700	7,700	125
6190.50 AEP Parks & Rec	6,143	13,300	13,300	(7,157)
6190.60 AEP Museum	3,529	3,200	3,200	329
6190.80 EP Pool Area	8,721	8,700	8,700	21
6200.10 AEP Outdoor Lights	495	700	700	(205)
6400.10 Advertisement Admin	2,064	0	0	2,064
6440.10 Accounting Fees Admin	3,500	7,500	7,500	(4,000)
6445.30 Legal Fees Admin	16,634	27,000	27,000	(10,366)
6445.31 B&D Legal Fees	0	0	0	0
6445.32 B&D Expenses	0	3,700	3,700	(3,700)
6445.33 B&D Pride Clean Up	1,106	0	0	1,106
6450.10 Fleet One-Mayor	5,958	0	0	5,958
6450.11 - Fleet One City Admin	474	3,900	3,900	(3,426)
6450.20 Fleet One-Police	13,685	11,000	11,000	2,685
6450.30 Fleet One-Road	683	1,600	1,600	(917)
6450.40 Fire Dept	3,731	1,761	1,761	1,970
6450.50 Fleet One-Parks & Rec	3,713	2,800	2,800	913
6560.10 Bank Charges	559	0	0	559
6660.00 Expenses on bldgs	0	0	0	0
6660.10 Supplies & Equip-Admin	9,116	0	0	9,116
6660.20 Supplies-Police	3,989	9,083	9,083	(5,094)
6660.21 Police vehicle lease	0	0	0	0
6660.30 Supplies-Road	28,225	30,473	30,473	(2,248)
6660.31 Road Dept Vehicle lease	4,914	4,915	4,915	(1)
6660.40 Supplies-Fire	0	3,000	3,000	(3,000)
6660.41 Fire Equip Lease	26,190	26,190	26,190	0
6660.50 Supplies-Parks & Rec	1,389	3,000	3,000	(1,611)
6660.80 Supplies-Pool	13,154	17,000	17,000	(3,846)
6661.10 Pool Property Loan	13,383	14,503	14,503	(1,120)

	Actual	Original	Final	\$ Over Budget
6661.11 Renovation Loan	16,547	15,426	15,426	1,121
6661.12 - Restaurant Renovation	203	0	0	203
6700.10 Council Member Pay	3,500	3,600	3,600	(100)
6710.10 Health Ins-Admin	50,183	50,000	50,000	183
6710.11 Health Ins. deductibles	23,679	6,000	6,000	17,679
6710.20 Health Ins-Police	21,851	14,605	14,605	7,246
6716.10 Dental Ins-Admin	1,325	0	0	1,325
6716.20 Dental Ins-Police	694	0	0	694
6719.10 Property Insurance	17,326	0	0	17,326
6720.10 General Liab Ins.	74,121	55,372	55,372	18,749
6724.10 Workers Comp-Admin	14,649	0	0	14,649
6740.10 Bond-Admin	674	0	0	674
6740.20 Bond-Police	305	0	0	305
6741.30 Auto Ins Road	1,004			
6750.10 Tax Roll Prep Fee-Admin	2,353	0	0	2,353
6770.10 City Hall Loan Pay.	9,591	8,700	8,700	891
6771.31 - Main/repair Equip RD	913	0	0	913
6784.10 Main/Repair Rental Bldg	1,248			
6785.10 Registration Fee-Admin	0	1,696	1,696	(1,696)
6785.40 - Registration Fee Fire	0	0	0	0
6796.10 - Training Exp Admin	0	0	0	0
6796.20 Training Exp-Police	1,151	0	0	1,151
6796.40 Training Exp.-Fire	895	0	0	895
6800.10 Postage	0	0	0	0
6810.10 Misc. Exp	0	0	0	0
6810.20 Misc Exp-Police	0	0	0	0
6810.30 Misc Exp-Road	0	0	0	0
6810.50 Misc Exp-Parks & Rec	0	0	0	0
6836.00 Child Support Withheld	0	0	0	0
6837.10 Jenkins Festival	705	5,000	5,000	(4,295)
6840.10 Telephone	5,659	5,000	5,000	659
6840.40 Telephone-Fire	1,922	1,000	1,000	922
6840.60 Telephone-Museum	619	500	500	119
6840.80 Telephone-City Pool	1,591	1,000	1,000	591
6841.10 Cell Phone-Admin	5,861	2,000	2,000	3,861
6841.40 Cell-Fire	0	0	0	0
6845.10 Dues & Subscriptions	1,275	0	0	1,275
6850.10 Travel-Admin	0	0	0	0
6865.10 Rental Equipment	856	0	0	856
6870.30 Reimb-Road	324	0	0	324
6877.10 Supplies	9,600	0	0	9,600
6877.20 Supplies-Police	2,903	0	0	2,903
6880.10 Office supplies	0	0	0	0
6883.00 Old High School Gym	6,682	6,000	6,000	682
6886.10 License/Permits	16	0	0	16
6896.10 Computer Programmer	3,106	0	0	3,106
6896.80 Sales Tax-Pool	1,398	0	0	1,398
6898.50 Little Shepherd Drama	5,753	7,300	7,300	(1,547)
6900.30 Drawdown Sidewalk Loan	479	0	0	479
6902.00 Payment on Ins. Loan	54,702	55,372	55,372	(670)

	Acutal	Original	Final	\$ Over Budget
Debt Sidewalk Project	0	11,515	11,515	(11,515)
General Government operation	3,025	30,122	30,122	(27,097)
6906.40 - Grant Fds Expended	0	0	0	0
Total Expense	<u>1,136,597</u>	<u>951,333</u>	<u>1,069,489</u>	<u>67,108</u>
Net Income	<u>(102,418)</u>	<u>0</u>	<u>(118,216)</u>	<u>15,798</u>
Adjustments to conform with GAAP:				
Non-budgetary inflows/outflows	84,895			
Fund Balance Beginning	<u>73,774</u>			
Fund Balance Ending	<u>\$ 56,251</u>			

Welch & Company, CPAs, PSC
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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, 2019, 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 December 31, 2019.

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
December 31, 2019

City of Jenkins
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2019

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? No
- 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.