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# City of Jenkins, Kentucky

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## Audited Financial Statements

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June 30, 2021

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# CITY OF JENKINS

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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, 2021, 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, 2021, 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, 2022, 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, 2022

City of Jenkins  
**Statement of Net Position**  
June 30, 2021

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash, including time deposits	\$ 92,349	\$ 73,715	\$ 166,064
Restricted cash	0	0	0
Accounts receivable, net	39,522	96,145	135,667
Total current assets	131,871	169,860	301,731
Noncurrent Assets:			
Capital assets (net)	2,034,845	15,496,304	17,531,149
Total Assets	2,166,716	15,666,164	17,832,880
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	5,116	115,878	120,994
Payroll related liabilities	13,464	11,279	24,743
Notes payable in the next 12 months	59,732	104,473	164,205
Total current liabilities	78,312	231,630	309,942
Noncurrent Liabilities:			
Water deposits	0	85,916	85,916
Notes payable after 12 months	336,566	2,421,915	2,758,481
Total noncurrent liabilities	336,566	2,507,831	2,844,397
Total Liabilities	414,878	2,739,461	3,154,339
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,638,547	12,969,916	14,608,463
Adjustment in 2020 accounts	9,469	0	9,469
Unrestricted	103,822	(41,496)	62,326
Total Net Position	\$ 1,751,838	\$ 12,928,420	\$ 14,680,258

See accompanying notes to the basic financial statements.

City of Jenkins  
**Statement of Activities**  
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<b>Governmental Activities:</b>					
General government	\$ 550,013	\$ -	\$ -	\$ -	\$ (550,013)
Depreciation	29,894	0	0	0	(29,894)
Interest	2,562	0	0	0	(2,562)
Public safety	228,953	0	0	0	(228,953)
Depreciation	50,220	0	0	0	(50,220)
Interest	3,712	0	0	0	(3,712)
Transportation	50,639	0	0	0	(50,639)
Streets-Depreciation	3,714	0	0	0	(3,714)
Streets-Interest	0	0	0	0	0
Cultural and recreation	38,027	0	0	0	(38,027)
Depreciation	35,265	0	0	0	(35,265)
Interest	6,736	0	0	0	(6,736)
Community development	20,537	0	0	0	(20,537)
<b>Total governmental activities</b>	<b>1,020,272</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,020,272)</b>
<b>Business-type activities:</b>					
Water	1,032,647	521,431	0	587,963	76,747
Sewer	447,732	320,796	0	0	(126,936)
Solid waste	200,226	227,113	0	0	26,887
<b>Total business-type activities</b>	<b>1,680,605</b>	<b>1,069,340</b>	<b>0</b>	<b>587,963</b>	<b>(23,302)</b>
<b>Total</b>	<b>\$ 2,700,877</b>	<b>\$ 1,069,340</b>	<b>\$ -</b>	<b>\$ 587,963</b>	<b>\$ (1,043,574)</b>

**Changes In Net Assets:**

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,020,272)	\$ (23,302)	\$ (1,043,574)
<b>General revenues:</b>			
<b>Taxes:</b>			
Property	247,648	0	247,648
Payroll	153,433	0	153,433
Franchise and public service	137,955	0	137,955
Insurance	143,086	0	143,086
Building rent	33,893	0	33,893
Intergovernmental	221,568	0	221,568
Investment income	163	0	163
Adjustment for 2020 accounts payable	9,469	0	9,469
Sale of surplus property	0	0	0
ABC Regulatory Fee	24,186	0	24,186
Other	56,026	0	56,026
Transfers	0	0	0
<b>Total general revenues and transfers</b>	<b>1,027,427</b>	<b>0</b>	<b>1,027,427</b>
Change in net assets	7,155	(23,302)	(16,147)
Net assets-beginning	1,744,683	12,951,721	14,696,404
<b>Net assets-ending</b>	<b>\$ 1,751,838</b>	<b>\$ 12,928,419</b>	<b>\$ 14,680,257</b>

See accompanying notes to the basic financial statements.

City of Jenkins  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2021

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 73,629	\$ 9,014	\$ 9,706	\$ 92,349
Investments	0	0	0	0
Receivables, net	39,522	0	0	39,522
<b>Total assets</b>	<b>\$ 113,151</b>	<b>\$ 9,014</b>	<b>\$ 9,706</b>	<b>\$ 131,871</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Payroll liabilities	\$ 13,464	\$ -	\$ -	\$ 13,464
Accounts payable	5,116	0	0	5,116
<b>Total Liabilities</b>	<b>18,580</b>	<b>0</b>	<b>0</b>	<b>18,580</b>
Fund balances:				
Reserved for:				
Assigned	0	0	0	0
Unassigned	94,571	9,014	9,706	113,291
<b>Total fund balances</b>	<b>94,571</b>	<b>9,014</b>	<b>9,706</b>	<b>113,291</b>
<b>Total liabilities and fund balances</b>	<b>\$ 113,151</b>	<b>\$ 9,014</b>	<b>\$ 9,706</b>	

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. (396,298)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 1,219,570 2,034,845

Net assets of governmental activities \$ 1,751,838

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, 2021

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
<b>Revenues</b>				
Property taxes	\$ 247,648	\$ -	\$ -	\$ 247,648
Payroll taxes	153,433	0	0	153,433
Franchise taxes	137,955	0	0	137,955
Insurance tax	143,086	0	0	143,086
Licenses and permits	6,052	0	0	6,052
Intergovernmental	155,863	42,819	22,886	221,568
Proceeds from financing	0	0	0	0
Investment earnings	163	0	0	163
Rent	33,893	0	0	33,893
Parks and recreation	26,123	0	0	26,123
Sale of surplus property	0	0	0	0
Alcohol Beverage Control	24,186	0	0	24,186
Miscellaneous	23,851	0	0	23,851
<b>Total revenues</b>	<b>952,253</b>	<b>42,819</b>	<b>22,886</b>	<b>1,017,958</b>
<b>Expenditures</b>				
Current:				
General government	536,876	0	24,724	561,600
Public Safety	228,953	0	0	228,953
Road	0	50,639	0	50,639
Parks and recreation	38,027	0	0	38,027
Community development	20,537	0	0	20,537
Debt service:				
Principal	53,468	0	0	53,468
Interest and other charges	13,010	0	0	13,010
Capital outlay	1,403	0	0	1,403
<b>Total expenditures</b>	<b>892,274</b>	<b>50,639</b>	<b>24,724</b>	<b>967,637</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>59,979</b>	<b>(7,820)</b>	<b>(1,838)</b>	<b>50,321</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Grants	7,850	0	0	7,850
<b>Total other financing sources and uses</b>	<b>7,850</b>	<b>0</b>	<b>0</b>	<b>7,850</b>
<b>Net Change in Fund Balances</b>	<b>67,829</b>	<b>(7,820)</b>	<b>(1,838)</b>	<b>58,171</b>
Fund Balances-beginning	26,742	16,834	11,544	55,120
Fund Balances-Ending	<b>\$ 94,571</b>	<b>\$ 9,014</b>	<b>\$ 9,706</b>	<b>\$ 113,291</b>

See accompanying notes to the basic financial statements.

City of Jenkins  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-  
 Governmental Funds to the Statement of Activities**  
 Year Ended June 30, 2021

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

Net change in fund balances-total governmental funds	<u>\$ 58,171</u>
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Amounts reported for governmental activities in the Statement of Activities are  
 different because:

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

Payments on long term debt	66,478
Loan financing	196
Capital outlay	1,403
Depreciation expense	<u>(119,093)</u>
	<u>(51,016)</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 7,155</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, 2021

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 48,720	\$ 24,995	\$ -	\$ 73,715
Investments	0	0	0	-
Restricted cash	0	0	0	-
Receivables, net	49,377	30,059	16,709	96,145
Other current assets	0	0	0	-
<b>Total current assets</b>	<b>98,097</b>	<b>55,054</b>	<b>16,709</b>	<b>169,860</b>
Noncurrent assets:				
Capital assets:				
Land and improvements	0	149,386	0	149,386
Distribution and collection systems	18,452,957	8,708,097	0	27,161,054
Buildings and equipment	0	0	240,870	240,870
Less accumulated depreciation	(6,093,858)	(5,720,278)	(240,870)	(12,055,006)
<b>Total noncurrent assets</b>	<b>12,359,099</b>	<b>3,137,205</b>	<b>0</b>	<b>15,496,304</b>
<b>Total assets</b>	<b>12,457,196</b>	<b>3,192,259</b>	<b>16,709</b>	<b>15,666,164</b>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	115,878	0	0	115,878
Accrued compensated leave	11,279	0	0	11,279
Bonds, notes, and loans payable	104,473	0	0	104,473
<b>Total current liabilities</b>	<b>231,630</b>	<b>0</b>	<b>0</b>	<b>231,630</b>
Noncurrent liabilities:				
Water deposits	85,916	0	0	85,916
Bonds, notes, and loans payable	2,421,915	0	0	2,421,915
<b>Total noncurrent liabilities</b>	<b>2,507,831</b>	<b>0</b>	<b>0</b>	<b>2,507,831</b>
<b>Total liabilities</b>	<b>2,739,461</b>	<b>0</b>	<b>0</b>	<b>2,739,461</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	9,832,711	3,137,205	0	12,969,916
Restricted(nonexpendable)	0	0	0	0
Unrestricted	(114,976)	56,771	16,709	(41,496)
<b>Total net assets</b>	<b>\$ 9,717,735</b>	<b>\$ 3,193,976</b>	<b>\$ 16,709</b>	<b>\$ 12,928,420</b>

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, 2021

	Enterprise Funds			Totals
	Water	Sewer	Solid Waste	
Operating revenues:				
Charges for services	\$ 521,431	\$ 320,796	\$ 227,113	\$ 1,069,340
Miscellaneous	0	0	0	0
Total operating revenues	<u>521,431</u>	<u>320,796</u>	<u>227,113</u>	<u>1,069,340</u>
Operating expenses:				
Cost of goods sold	113,150	79,773	90,897	283,820
Personnel services	347,127	80,692	97,159	524,978
Materials and supplies	0	0	0	0
Other services and charges	78,004	65,830	10,612	154,446
Depreciation	452,732	221,437	1,558	675,727
Total operating expenses	<u>991,013</u>	<u>447,732</u>	<u>200,226</u>	<u>1,638,971</u>
Net operating income	<u>(469,582)</u>	<u>(126,936)</u>	<u>26,887</u>	<u>(569,631)</u>
Nonoperating revenue (expense):				
Investment income		6	0	6
Interest expense	(41,634)	0	0	(41,634)
Grant and Intergovernmental	587,963	0	0	587,963
Total nonoperating revenue (expense)	<u>546,329</u>	<u>0</u>	<u>0</u>	<u>546,335</u>
Net Income before contributions and transfers	76,747	(126,936)	26,887	(23,302)
Insurance proceeds	0	0	0	0
Operating transfers in (out)		0	0	0
Net income	<u>76,747</u>	<u>(126,936)</u>	<u>26,887</u>	<u>(23,302)</u>
Net assets-beginning of year	<u>9,319,948</u>	<u>3,504,640</u>	<u>127,134</u>	<u>12,951,722</u>
Net assets-end of year	<u>\$ 9,396,695</u>	<u>\$ 3,377,704</u>	<u>\$ 154,021</u>	<u>\$ 12,928,420</u>

See accompanying notes to the basic financial statements.

City of Jenkins  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year Ended June 30, 2021

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 517,626	\$ 323,545	\$ 222,620	\$ 1,063,791
Payments to suppliers	(80,674)	(144,831)	(93,149)	(318,654)
Payments to employees	(332,025)	(83,044)	(98,638)	(513,707)
Other	(7,646)	0	(16,738)	(24,384)
Net cash provided (used) by operating activities	97,281	95,670	14,095	207,046
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Inter-fund transfers	209,739	(185,451)	(24,288)	0
Transfers (to) from other funds		0	0	0
Net Cash provided (used) by noncapital financing activities	209,739	(185,451)	(24,288)	0
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Intergovernmental	158,756	0	0	158,756
Water deposits	9,197	0	0	9,197
Asset additions	(179,880)	0	0	(179,880)
Principal paid on capital debt	(103,403)	0	0	(103,403)
Interest paid on capital debt	(41,634)	0	0	(41,634)
Net cash provided (used) by capital and related financing activities	(156,964)	0	0	(156,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest		6	0	6
Net increase (decrease) in cash and cash equivalents	150,056	(89,775)	(10,193)	50,088
Balances-beginning of year	(101,336)	114,770	10,193	23,627
Balances-end of year	48,720	24,995	0	73,715
Cash, including time deposits	48,720	24,995	0	73,715
Restricted cash, including time deposits		0	0	0
Total cash and cash equivalents, end of year	48,720	24,995	0	73,715
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	(469,582)	(126,936)	26,887	(569,631)
Adjustments:				
Depreciation expense	452,732	221,437	1,558	675,727
Change in assets and liabilities:				
Change in accounts receivable	(3,805)	2,749	(4,493)	(5,549)
Change in accounts payable	110,480	(228)	(8,360)	101,892
Change in compensated leave	7,456	(1,352)	(1,497)	4,607
Net cash provided (used) by operating activities	\$ 97,281	\$ 95,670	\$ 14,095	\$ 207,046

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, 2021

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, 2021

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 1<sup>st</sup> earns 48 hours of sick leave.

**Equity Classifications**

*Government-wide Statements*

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

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
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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, 2021 the proprietary funds did not have any restricted Net Assets.

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, 2021

**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, 2021. 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, 2021, the City's deposits, \$166,064 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	\$ 39,522	\$ 194,504	\$ 234,026
Allowance for doubtful accounts	<u>0</u>	<u>(98,359)</u>	<u>(98,359)</u>
Net Accounts Receivable	<u>\$ 39,522</u>	<u>\$ 96,145</u>	<u>\$ 135,667</u>

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2021

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance At			Balance At
	<u>July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2021</u>
<u>Governmental activities:</u>				
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	<u>346,985</u>	<u>0</u>	<u>0</u>	<u>346,985</u>
Totals	3,254,415	0	0	3,254,415
Less Accumulated depreciation	<u>(1,100,476)</u>	<u>(119,093)</u>	<u>0</u>	<u>(1,219,569)</u>
Net	<u>\$ 2,153,939</u>	<u>\$ (119,093)</u>	<u>\$ 0</u>	<u>\$ 2,034,846</u>
<u>Business-type activities</u>				
Land and improvements	\$ 1,590,608	\$	\$ 0	\$ 1,590,608
Distribution and collection	25,390,566	179,880	0	25,570,446
Buildings and equipment	<u>390,256</u>	<u>0</u>	<u>0</u>	<u>390,256</u>
Totals	27,371,430	179,880	0	27,551,310
Less Accumulated depreciation	<u>(11,379,279)</u>	<u>(675,727)</u>	<u>0</u>	<u>(12,055,006)</u>
Net	<u>\$ 15,992,151</u>	<u>\$ (495,847)</u>	<u>\$ 0</u>	<u>\$ 15,496,304</u>

**NOTE 5. COMMITMENTS**

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

**NOTE 6. RELATED PARTY TRANSACTIONS**

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, 2021

**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:

Road Aid	\$	(7,820)
Water	\$	(469,582)
Sewer	\$	(126,936)

**NOTE 8. LONG-TERM DEBT**

	Balance June 30 2020	Additions	Reductions	Balance June 30 2021	Current Portion
<b><u>Governmental Funds</u></b>					
Kentucky League of Cities:					
City Hall	\$ 81,029	\$ 0	\$ (6,134)	\$ 74,895	\$ 6,401
Kansas State Bank					
Fire Truck	95,681	0	(22,478)	73,203	23,413
Insurance loan	9,897	0	(9,897)	0	0
Bond Issue 2012-C	115,833	0	(10,000)	105,833	10,000
Bond Issue 2013-A	140,834	0	(10,000)	130,834	10,000
Rental Trailer	6,883	0	(2,583)	4,300	2,685
HME Fire Truck EMT	14,219	0	(6,986)	7,233	7,233
Totals	\$ <u>464,376</u>	\$ <u>0</u>	\$ <u>(68,078)</u>	\$ <u>396,298</u>	\$ <u>59,732</u>

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

	Principal	Interest	Total
2022	\$ 59,732	\$ 13,232	\$ 72,964
2023	52,683	13,232	65,915
2024	52,372	11,135	63,507
2025	27,274	9,304	36,578
2026	27,590	6,768	34,358
2027-2031	139,620	19,561	159,181
2032-2035	37,027	2,309	39,336
	\$ <u>396,298</u>	\$ <u>75,541</u>	\$ <u>471,839</u>

**Governmental Funds**

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
 June 30, 2021

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%.

**Proprietary Funds**

	June 30 2020	Additions	Reductions	June 30 2021	Current Portion
KIA A12-30	\$ 340,648	\$ -	\$ 21,540	\$ 319,108	\$ 21,702
KIA F14-005	951,143	0	54,363	896,780	54,771
USDA RD 91-01	387,000	0	9,000	378,000	9,000
USDA RD 91-09	406,000	0	7,500	398,500	7,500
USDA RD 92-12	545,000	0	11,000	534,000	11,500
<b>Total</b>	<b>\$ 2,629,791</b>	<b>\$ -</b>	<b>\$ 103,403</b>	<b>\$ 2,526,388</b>	<b>\$ 104,473</b>

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

	Principal	Interest	Total
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	109,797	35,217	145,014
2027-2031	569,454	155,371	724,825
2032-2036	584,213	118,437	702,650
2037-2041	246,068	84,945	331,013
2042-2046	246,000	56,762	302,762
2047-2051	261,500	24,933	286,433
2052-2054	83,500	2,316	85,816
<b>Total</b>	<b>\$ 2,526,388</b>	<b>\$ 631,889</b>	<b>\$ 3,158,277</b>

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2021

**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.

**NOTE 12. EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through December 31, 2022, the date on which the financial statements were available to be issued.

City of Jenkins  
 Budgetary Comparison Schedule  
 Governmental Funds  
 Year Ended June 30, 2021

	General Fund	LGEA Fund	Road Fund	Total Governmental		
Resources Available				Budget	Actual	Difference
Fund Bal Car Forward		\$0		\$0		
Estimated Revenues:						
Charges for Services						
Property Taxes	103,000			103,000	98,306	4,694
Delinquent Taxes	21,000			21,000	26,666	(5,666)
Payroll Tax	167,000			167,000	152,557	14,443
Ad val tax/Omitted Tangibles	32,500			32,500	40,721	(8,221)
Motor vehicle/Water Craft	4,500			4,500	1,982	2,518
Public Service Taxes	47,900			47,900	4,472	43,428
Occupational Licenses Tax	16,000			16,000	5,900	10,100
Omitted Tangibles					929	(929)
Tower Rent	1,500			1,500	1,300	200
6% Insurance Premiums	120,000			120,000	143,086	(23,086)
Court fines/& summons	1,000			1,000		1,000
AEP Company Franchise Fee	100,000			100,000	90,419	9,581
Telecommunications Tax	35,200			35,200	35,719	(519)
Chanel 99					7,700	(7,700)
Miscellaneous	1,000			1,000		1,000
Interest	250	50		300		300
Police Incentive	16,000			16,000	12,207	3,793
School Resource Officer	37,498			37,498		37,498
B& D Fund	4,400			4,400		4,400
Parks & Rec Income	600			600	25	575
Pool related income					58,691	(58,691)
Rental Income	45,450			45,450	32,593	12,857
Base Court Revenue	7,480			7,480	3,363	4,117
Court	44,000			44,000		44,000
Bank Franchise Tax	\$6 291			0	7,345	(7,345)
ABC Tax	21,000			21,000	24,186	(3,186)
LGEA Coal Sev Tax		\$21 947		21,947	4,047	17,900
LGEA Mineral Sev Tax		25,466		25,466	18,839	6,627
Municipal Road Aid			40,045	40,045	40,596	(551)
Old Jenkins Hiah Rental	\$1 600			1,600		1,600
ARC Grant /PH 5 waterline				0		0
AML / Beaver Mineral				0		0



Miscellaneous Admin					514	(514)
Health Reimbursement					101	(101)
Surplus property					5,511	(5,511)
Stimulus Funding					142,516	(142,516)
Total Estimated Revenue	835,169	\$47,463	40,045	875,214	960,291	(85,077)
				0		0
Total Revenue for Expenses	835,169	47,463	40,045	922,677		922,677
Expenses						
Payroll Office Admin	165,000			165,000	178,247	(13,247)
Payroll Fire Chief	5,200			5,200		5,200
Payroll Police Dept	110,000			110,000	145,961	(35,961)
Payroll Resource Officer	37,498			37,498		37,498
Payroll Museum	14,180			14,180	286	13,894
Payroll Pool Area	17,000			17,000	12,226	4,774
Payroll Parks & Rec/Bldg	26,940			26,940	0	26,940
Employer Pd Payroll Taxes	37,800			37,800	28,849	8,951
Employer Match 401A	5,000			5,000	3,817	1,183
Contract Labor Utility				0		0
Payroll Utility Dept				0		0
Pool Expenses	25,680			25,680	23,090	2,590
Parks & Rec Expenses		3,000		3,000		3,000
Gen Gov Operation	15,800		9,045	24,845		24,845
Teir Service Incentive	1,200			1,200		1,200
Operation & Maint Utility				0		0
Supllies, Parts, Equip Police	1,500	5,928		7,428	1,069	6,359
Operation Exp Fire Dept	2,000	545		2,545		2,545
Telephone & internet Exp Ge	5,500			5,500		5,500
Telephone Utiltiy				0		0
Cell Phone Exp	2,000			2,000		2,000
Fleet One Mayors ADMIN	4,500			4,500	5,070	(570)
Fleet One Exp Fire		3,800		3,800	5,712	(1,912)
Fleet One Exp Utility				0		0
Fleet One Expen Rd			1,000	1,000	304	696
Fleet One Exp Police	12,000			12,000	17,389	(5,389)
Fleet One Parks & Rec	2,300			2,300	2,929	(629)
AEP Power Gen Fds	23,000			23,000	18,080	4,920
AEP RD Garage			4,000	4,000	5,177	(1,177)
AEP Power Fire Station	4,000	4,000		8,000	13,377	(5,377)
AEP Parks and Rec	5,000	4,000		9,000	9,745	(745)
AEP Pool Area					2,259	(2,259)
AEP Street Lights	46,000			46,000	64,419	(18,419)
AEP Power Utility				0	1,237	(1,237)

AEP Museum	3,200			3,200	1,207	1,993
Landfill Expenses				0		0
Lab Testing				0		0
Chemicals Exp Utility				0		0
Health & Dental Gen Fds	59,690			59,690	47,690	12,000
Health Ins Deductibles	6,000			6,000	14,296	(8,296)
Health & Dental Police	27,084			27,084	23,918	3,166
Health & Dental Utility				0		0
City Attorney's Retainer	12,000			12,000	2,000	10,000
LEGAL FEES	6,000			6,000	10,000	(4,000)
Streets/ Road Salt /side walks		26,000		26,000		26,000
Special Events	2,000			2,000		2,000
Workers Comp Insur Utility				0		0
Workers Comp General	3,720			3,720	18,290	(14,570)
Workers Comp /Police	7,170			7,170		7,170
Property Insurance	9,598			9,598	11,465	(1,867)
Auto Insurance	32,263			32,263		32,263
Liability Insurance	7,128			7,128	55,668	(48,540)
Liability Ins Police	12,127			12,127		12,127
Deb Ser RD Water Lines Loan				0		0
Debt Ser RD Sewer ReE!::laccmnt				0		0
Debt Ser KIA Sewer ReE!::laccmnt				0		0
Debt Ser KIA Water ReE!::laccmnt				0		0
Debt Sidwalk Proiectt Citv Po				0		0
Debt Solid Waste				0		0
Debt Ser Ciri: Hall Bid	9,590			9,590		9,590
Debt Pool Purchase	14,049			14,049		14,049
Debt S. Bldg Renovation	14,936			14,936		14,936
Debt Ser Fire Dent		26,190		26,190		26,190
Loan for Prone.+'' Purchase	2,805			2,805		2,805
Little Shen Drama Exoenses	5,000			5,000	4,529	471
Old Jenkins Hiah Exoenses	\$5 000			0	7,003	(7,003)
B&DFund	4			4	2,500	(2,496)
Yearlv Audit Exnense	5,500			5,500	4,500	1,000
Council Members Pav	3,600			3,600	3,600	0
KRADD Dues	1,696			1,696		1,696
ARC Grt!PH 5 Waterline				0		0
AMU Beaver Minerals				0		0
Total Expenses	835,169	\$47 463	\$40 045	835,169		835,169
				875,214	875,214	875,214
Income more than expenses						\$ 40,045
Adjustments to conform with GAAP-Non Budgetary Inflows						18,126

Fund Balance Beginning

55,120

Fund Balance Ending

\$ 113,291

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, 2021, 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, 2022.

**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, 2022

City of Jenkins  
**Schedule of Findings and Questioned Costs**  
For The Year Ended June 30, 2021

**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 2021-1

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.