

CITY OF JENKINS, KENTUCKY

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2023

CITY OF JENKINS
FINANCIAL STATEMENTS AND REPORT OF AUDIT
For the Year Ended June 30, 2023

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CITY OF JENKINS

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Jenkins
Jenkins, Kentucky

Report on the Audit of the Financial Statements

Opinions

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, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Jenkins, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jenkins, Kentucky, as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Jenkins, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Southeastern Kentucky Flooding

The City of Jenkins, Kentucky's infrastructure, buildings, vehicles, and equipment, were damaged due to catastrophic storms and flooding occurring in July 2022. The area was part of a presidentially declared major disaster area, designated as FEMA-4663-DR-KY. The City received contributions, grants and loans from various resources to assist in the affected areas and for which repairs continue as of report date.

Our opinion has not been modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Jenkins, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Jenkins, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Jenkins, Kentucky's ability to continue as a going concern for a reasonable period of time.

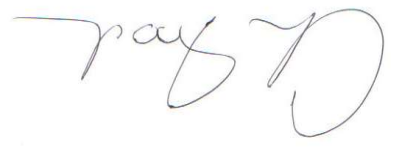
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 budgetary comparison 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. Our opinion on the basic financial statements is not affected by the omitted management's discussion and analysis.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2024, on our consideration of the City of Jenkins, Kentucky'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 solely 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 the effectiveness of the City of Jenkins, Kentucky's 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 City of Jenkins, Kentucky's internal control over financial reporting and compliance.



Chris Gooch
Certified Public Accountant

Hazard, Kentucky
July 17, 2024

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF JENKINSSTATEMENT OF NET POSITIONJune 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
- Current assets -			
Cash - unrestricted	\$ 127,883	\$ 38,818	\$ 166,701
Receivables:			
Property tax (net allowance for uncollectibles)	26,670	-	26,670
Operations (net allowance for uncollectibles)	<u>-</u>	<u>162,023</u>	<u>162,023</u>
<u>Total current assets</u>	<u>154,553</u>	<u>200,841</u>	<u>355,394</u>
- Restricted assets -			
Cash	<u>494,237</u>	<u>26,123</u>	<u>520,360</u>
- Noncurrent assets -			
Non-depreciable	392,985	2,456,691	2,849,676
Depreciable	3,219,617	25,614,804	28,834,421
Less: Accumulated depreciation	<u>(1,472,009)</u>	<u>(13,444,374)</u>	<u>(14,916,383)</u>
<u>Total noncurrent assets</u>	<u>2,140,593</u>	<u>14,627,121</u>	<u>16,767,714</u>
<u>Total assets</u>	<u>\$ 2,789,383</u>	<u>\$ 14,854,085</u>	<u>\$ 17,643,468</u>

See notes to financial statements.

CITY OF JENKINS

STATEMENT OF NET POSITION (CONTINUED)

June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>LIABILITIES</u>			
- Current liabilities -			
Accounts payable	\$ 22,070	\$ 35,502	\$ 57,572
Accrued liabilities	19,338	41,518	60,856
Customer deposits	-	129,946	129,946
Revenue bonds payable - current portion	<u>58,355</u>	<u>109,470</u>	<u>167,825</u>
<u>Total current liabilities</u>	<u>99,763</u>	<u>316,436</u>	<u>416,199</u>
- Non-current liabilities -			
Revenue bonds and notes payable	<u>243,810</u>	<u>2,238,504</u>	<u>2,482,314</u>
<u>Total noncurrent liabilities</u>	<u>243,810</u>	<u>2,238,504</u>	<u>2,482,314</u>
<u>Total liabilities</u>	<u>343,573</u>	<u>2,554,940</u>	<u>2,898,513</u>
 <u>NET POSITION</u>			
Net investment in capital assets	1,838,428	12,241,899	14,080,327
Restricted	494,237	26,123	520,360
Unrestricted (deficit)	<u>113,145</u>	<u>31,123</u>	<u>144,268</u>
<u>Total net position</u>	<u>2,445,810</u>	<u>12,299,145</u>	<u>14,744,955</u>
 <u>Total liabilities and net position</u>	 <u>\$ 2,789,383</u>	 <u>\$ 14,854,085</u>	 <u>\$ 17,643,468</u>

See notes to financial statements.

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CITY OF JENKINSSTATEMENT OF ACTIVITIESFor the Year Ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
FUNCTIONS/PROGRAMS:				
- Governmental Activities -				
General government	\$ 616,218	\$ -	(189,963)	\$ (16,933)
Depreciation	42,746	-	-	-
Interest	2,581	-	-	-
Public safety	227,806	-	(9,411)	-
Depreciation	55,569	-	-	-
Interest	2,915	-	-	-
Transportation	86,938	-	(44,729)	-
Depreciation	4,110	-	-	-
Cultural and recreation	93,248	(65,617)	-	-
Depreciation	30,177	-	-	-
Interest	8,885	-	-	-
Community development	28,017	-	-	-
<u>Total governmental activities</u>	<u>1,199,210</u>	<u>(65,617)</u>	<u>(244,103)</u>	<u>(16,933)</u>
- Business-type Activities -				
Water utilities	1,090,022	(547,892)	-	(46,467)
Sewer utilities	450,730	(313,273)	-	-
Solid waste	203,437	(234,999)	-	-
<u>Total business-type activities</u>	<u>1,744,189</u>	<u>(1,096,164)</u>	<u>-</u>	<u>(46,467)</u>
<u>Total primary government</u>	<u>\$ 2,943,399</u>	<u>\$ (1,161,781)</u>	<u>\$ (244,103)</u>	<u>\$ (63,400)</u>

See notes to financial statements.

CITY OF JENKINS

STATEMENT OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2023

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS:			
- Governmental Activities -			
General government	\$ (409,322)	\$ -	\$ (409,322)
Depreciation	(42,746)	-	(42,746)
Interest	(2,581)	-	(2,581)
Public safety	(218,395)	-	(218,395)
Depreciation	(55,569)	-	(55,569)
Interest	(2,915)	-	(2,915)
Transportation	(42,209)	-	(42,209)
Depreciation	(4,110)	-	(4,110)
Cultural and recreation	(27,631)	-	(27,631)
Depreciation	(30,177)	-	(30,177)
Interest	(8,885)	-	(8,885)
Community development	(28,017)	-	(28,017)
<u>Total governmental activities</u>	<u>(872,557)</u>	<u>-</u>	<u>(872,557)</u>
- Business-type Activities -			
Water utilities	-	(495,663)	(495,663)
Sewer utilities	-	(137,457)	(137,457)
Solid waste	-	31,562	31,562
<u>Total business-type activities</u>	<u>-</u>	<u>(601,558)</u>	<u>(601,558)</u>
<u>Total primary government</u>	<u>(872,557)</u>	<u>(601,558)</u>	<u>(1,474,115)</u>
General revenues:			
Taxes:			
Property	188,593	-	188,593
Payroll	177,567	-	177,567
Franchise and public service	159,647	-	159,647
Insurance	145,124	-	145,124
ABC regulatory fee	25,329	-	25,329
Building rent	40,504	-	40,504
Intergovernmental	5,720	-	5,720
Interest income	383	127	510
Sale of surplus property	12,280	-	12,280
Miscellaneous, reimbursements and refunds	102,676	-	102,676
<u>Total general revenues</u>	<u>857,823</u>	<u>127</u>	<u>857,950</u>
Change in net position	(14,734)	(601,431)	(616,165)
Net position - beginning of year - restated	<u>2,460,544</u>	<u>12,900,576</u>	<u>15,361,120</u>
Net position - end of year	<u>\$ 2,445,810</u>	<u>\$ 12,299,145</u>	<u>\$ 14,744,955</u>

See notes to financial statements.

CITY OF JENKINS
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2023

	<u>General</u>	Municipal Road <u>Aid</u>	<u>L.G.E.A.</u>	Total Governmental <u>Funds</u>
<u>ASSETS</u>				
Cash - unrestricted	\$ 127,883	\$ -	\$ -	\$ 127,883
Receivables (net allowance for uncollectibles)				
Taxes	26,670	-	-	26,670
<u>Restricted Assets:</u>				
Cash	<u>409,922</u>	<u>26,146</u>	<u>58,169</u>	<u>494,237</u>
<u>Total assets</u>	<u>564,475</u>	<u>26,146</u>	<u>58,169</u>	<u>648,790</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities:</u>				
Accounts payable	22,070	-	-	22,070
Accrued liabilities	<u>19,338</u>	<u>-</u>	<u>-</u>	<u>19,338</u>
<u>Total liabilities</u>	<u>41,408</u>	<u>-</u>	<u>-</u>	<u>41,408</u>
 <u>Fund Balance:</u>				
Unassigned	113,145	-	-	113,145
Restricted	<u>409,922</u>	<u>26,146</u>	<u>58,169</u>	<u>494,237</u>
<u>Total fund balance</u>	<u>523,067</u>	<u>26,146</u>	<u>58,169</u>	<u>607,382</u>
<u>Total liabilities and fund balance</u>	<u>\$ 564,475</u>	<u>\$ 26,146</u>	<u>\$ 58,169</u>	<u>\$ 648,790</u>

See notes to financial statements.

CITY OF JENKINSRECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITIONJune 30, 2023

Total fund balance per fund financial statements	\$ 607,382
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 3,612,602	
Less accumulated depreciation	<u>(1,472,009)</u>	
		2,140,593

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund

Governmental bonds and notes payable	<u>(302,165)</u>
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Net position for governmental activities	<u>\$ 2,445,810</u>
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CITY OF JENKINS

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2023

	<u>General</u>	<u>Municipal Road Aid</u>	<u>L.G.E.A.</u>	<u>Total Governmental Funds</u>
<u>REVENUES:</u>				
Property taxes	\$ 188,593	\$ -	\$ -	\$ 188,593
Payroll and occupational taxes	177,567	-	-	177,567
Franchise and public service tax	159,647	-	-	159,647
Insurance tax	145,124	-	-	145,124
Intergovernmental	129,780	44,729	92,247	266,756
Rent	40,504	-	-	40,504
Parks and recreation	65,617	-	-	65,617
Alcohol beverage tax	25,329	-	-	25,329
Other revenues	21,037	-	-	21,037
	<u>953,198</u>	<u>44,729</u>	<u>92,247</u>	<u>1,090,174</u>
<u>EXPENDITURES:</u>				
<u>Current:</u>				
General government	564,563	-	51,655	616,218
Public safety	227,806	-	-	227,806
Road	73,695	28,993	-	102,688
Cultural and recreation	93,248	-	-	93,248
Community development	28,017	-	-	28,017
Debt service				
Principal	58,877	-	-	58,877
Interest	14,381	-	-	14,381
	<u>1,060,587</u>	<u>28,993</u>	<u>51,655</u>	<u>1,141,235</u>
Excess of revenues over (under) expenditures	<u>(107,389)</u>	<u>15,736</u>	<u>40,592</u>	<u>(51,061)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Sale of surplus property	12,280	-	-	12,280
Insurance reimbursements	81,639	-	-	81,639
Interest income	383	-	-	383
	<u>94,302</u>	<u>-</u>	<u>-</u>	<u>94,302</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(13,087)</u>	<u>15,736</u>	<u>40,592</u>	<u>43,241</u>
<u>FUND BALANCE - JULY 1 - Restated</u>	<u>536,154</u>	<u>10,410</u>	<u>17,577</u>	<u>564,141</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ 523,067</u>	<u>\$ 26,146</u>	<u>\$ 58,169</u>	<u>\$ 607,382</u>

See notes to financial statements.

CITY OF JENKINSRECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2023

Net change in total fund balances per fund financial statements	\$ 43,241
Amounts reported for governmental activities in the statement of activities differences:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	\$ 15,750
Depreciation	<u>(132,602)</u>
	(116,852)
Loan proceeds provide current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Statement of Net Position. The repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in Statement of Net Position. This is the amount by which repayments exceeded proceeds.	
Principal payments	<u>58,877</u>
Change in net position of governmental activities	<u>\$ (14,734)</u>

See notes to financial statements.

CITY OF JENKINS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2023

<u>ASSETS</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<u>CURRENT ASSETS:</u>				
Cash	\$ 19,581	\$ 10,990	\$ 8,247	\$ 38,818
Accounts receivable				
Operations (net allowance for uncollectibles)	<u>81,731</u>	<u>45,870</u>	<u>34,422</u>	<u>162,023</u>
<u>Total current assets</u>	<u>101,312</u>	<u>56,860</u>	<u>42,669</u>	<u>200,841</u>
<u>RESTRICTED ASSETS:</u>				
Cash	<u>26,123</u>	<u>-</u>	<u>-</u>	<u>26,123</u>
<u>UTILITY PLANT:</u>				
Non-depreciable	-	2,456,691	-	2,456,691
Depreciable	<u>18,969,142</u>	<u>6,404,792</u>	<u>240,870</u>	<u>25,614,804</u>
<u>Total</u>	<u>18,969,142</u>	<u>8,861,483</u>	<u>240,870</u>	<u>28,071,495</u>
<u>LESS: Accumulated depreciation</u>	<u>7,047,102</u>	<u>6,156,402</u>	<u>240,870</u>	<u>13,444,374</u>
<u>Utility plant - net</u>	<u>11,922,040</u>	<u>2,705,081</u>	<u>-</u>	<u>14,627,121</u>
<u>Total assets</u>	<u>\$ 12,049,475</u>	<u>\$ 2,761,941</u>	<u>\$ 42,669</u>	<u>\$ 14,854,085</u>

See notes to financial statements.

CITY OF JENKINSSTATEMENT OF NET POSITION – PROPRIETARY FUNDS (CONTINUED)June 30, 2023

<u>LIABILITIES</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<u>CURRENT LIABILITIES:</u>				
<u>Payable from Current Assets:</u>				
Accounts payable	\$ 17,909	\$ 10,051	\$ 7,542	\$ 35,502
Accrued liabilities	<u>20,998</u>	<u>11,723</u>	<u>8,797</u>	<u>41,518</u>
Total current liabilities				
<u>payable from current assets</u>	<u>38,907</u>	<u>21,774</u>	<u>16,339</u>	<u>77,020</u>
<u>CURRENT LIABILITIES:</u>				
<u>Payable from Restricted Assets:</u>				
Notes payable	79,970	-	-	79,970
Bonds payable	29,500	-	-	29,500
Customer deposits	<u>129,946</u>	<u>-</u>	<u>-</u>	<u>129,946</u>
Total current liabilities	-	-	-	-
<u>payable from restricted assets</u>	<u>239,416</u>	<u>-</u>	<u>-</u>	<u>239,416</u>
<u>LONG TERM LIABILITIES:</u>				
Notes payable	1,014,504	-	-	1,014,504
Bonds payable	<u>1,224,000</u>	<u>-</u>	<u>-</u>	<u>1,224,000</u>
<u>Total long term liabilities</u>	<u>2,238,504</u>	<u>-</u>	<u>-</u>	<u>2,238,504</u>
<u>NET POSITION</u>				
Net investment in capital assets	9,536,818	2,705,081	-	12,241,899
Unrestricted (deficit)	(30,293)	35,086	26,330	31,123
Restricted	<u>26,123</u>	<u>-</u>	<u>-</u>	<u>26,123</u>
<u>Total net position</u>	<u>9,532,648</u>	<u>2,740,167</u>	<u>26,330</u>	<u>12,299,145</u>
<u>Total liabilities and net position</u>	<u>\$ 12,049,475</u>	<u>\$ 2,761,941</u>	<u>\$ 42,669</u>	<u>\$ 14,854,085</u>

See notes to financial statements.

CITY OF JENKINSSTATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION – PROPRIETARY FUNDSFor the Year Ended June 30, 2023

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<u>REVENUES:</u>				
Charges for service	\$ 547,892	\$ 313,273	\$ 234,999	\$ 1,096,164
Other revenue	<u>46,467</u>	<u>-</u>	<u>-</u>	<u>46,467</u>
<u>Total</u>	<u>594,359</u>	<u>313,273</u>	<u>234,999</u>	<u>1,142,631</u>
<u>OPERATING EXPENSES BEFORE DEPRECIATION:</u>				
Personnel services	281,736	100,824	80,443	463,003
Supplies and materials	103,890	47,104	22,150	173,144
Contractual services	134,257	75,054	94,090	303,401
Miscellaneous	<u>8,051</u>	<u>7,639</u>	<u>2,730</u>	<u>18,420</u>
<u>Total</u>	<u>527,934</u>	<u>230,621</u>	<u>199,413</u>	<u>957,968</u>
OPERATING INCOME BEFORE DEPRECIATION:	66,425	82,652	35,586	184,663
<u>LESS - DEPRECIATION</u>	<u>481,811</u>	<u>218,123</u>	<u>-</u>	<u>699,934</u>
<u>Net operating income (loss)</u>	<u>(415,386)</u>	<u>(135,471)</u>	<u>35,586</u>	<u>(515,271)</u>
<u>NON-OPERATING INCOME (EXPENSES):</u>				
Interest income	127	-	-	127
Interest expense and fees	<u>(80,277)</u>	<u>(1,986)</u>	<u>(4,024)</u>	<u>(86,287)</u>
<u>Total non-operating income (expenses)</u>	<u>(80,150)</u>	<u>(1,986)</u>	<u>(4,024)</u>	<u>(86,160)</u>
<u>Net income (loss)</u>	<u>(495,536)</u>	<u>(137,457)</u>	<u>31,562</u>	<u>(601,431)</u>
<u>NET POSITION - JULY 1 - RESTATED</u>	<u>10,028,184</u>	<u>2,877,624</u>	<u>(5,232)</u>	<u>12,900,576</u>
<u>NET POSITION - JUNE 30</u>	<u>\$ 9,532,648</u>	<u>\$ 2,740,167</u>	<u>\$ 26,330</u>	<u>\$ 12,299,145</u>

See notes to financial statements.

CITY OF JENKINS

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Year Ended June 30, 2023

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Receipts from customers and users	\$ 605,251	\$ 295,749	\$ 224,874	1,125,874
Payments to suppliers and contractors	(137,974)	(207,569)	(130,187)	(475,730)
Payments to employees	(281,184)	(101,387)	(82,416)	(464,987)
<u>Net cash provided/(used) by operating activities</u>	<u>186,093</u>	<u>(13,207)</u>	<u>12,271</u>	<u>185,157</u>
<u>CASH FLOWS FROM CAPITAL</u>				
<u>AND RELATED FINANCING ACTIVITIES:</u>				
Principal paid on bonds	(29,000)	-	-	(29,000)
Principal paid on notes	(79,373)	-	-	(79,373)
Interest expense and fees	(80,277)	(1,986)	(4,024)	(86,287)
<u>Net cash provided/(used) for capital and related financing activities</u>	<u>(188,650)</u>	<u>(1,986)</u>	<u>(4,024)</u>	<u>(194,660)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest on investments	127	-	-	127
Acquisition of fixed assets	(10,700)	(4,000)	-	(14,700)
<u>Net cash provided/(used) by investing activities</u>	<u>(10,573)</u>	<u>(4,000)</u>	<u>-</u>	<u>(14,573)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	<u>(13,130)</u>	<u>(19,193)</u>	<u>8,247</u>	<u>(24,076)</u>
<u>CASH AND RESTRICTED CASH, JULY 1</u>	<u>58,834</u>	<u>30,183</u>	<u>-</u>	<u>89,017</u>
<u>CASH AND RESTRICTED CASH, JUNE 30</u>	<u>45,704</u>	<u>10,990</u>	<u>8,247</u>	<u>64,941</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>				
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>				
Operating profit/(loss)	(415,386)	(135,471)	35,586	(515,271)
Adjustments to reconcile operating net cash provided by operating activities				
Depreciation	481,811	218,123	-	699,934
Beginning net asset reclassification	90,762	(81,003)	(9,759)	-
Beginning long term debt adjustment	34,431	-	-	34,431
Changes in assets and liabilities				
(Increase) decrease in accounts receivable	(33,138)	(17,524)	(10,125)	(60,787)
Increase (decrease) in accounts payable	(16,969)	3,231	(1,458)	(15,196)
Increase (decrease) in accrued liabilities	552	(563)	(1,973)	(1,984)
Increase (decrease) in customer deposits	44,030	-	-	44,030
<u>Net cash provided by operations</u>	<u>\$ 186,093</u>	<u>\$ (13,207)</u>	<u>\$ 12,271</u>	<u>\$ 185,157</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTSJune 30, 2023Note A – General Statement and Summary of Significant Accounting PoliciesGeneral Statement

The City of Jenkins, Kentucky (The “City”) was incorporated in 1870, under the provisions of the State of Kentucky. The City operates under Council-Manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), streets, sanitation, planning and zoning, and general administrative and utility services.

Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

1. The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City can exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City’s reporting entity.

Excluded from the reporting entity:

David A. Zeeger Coal-Railroad Museum

This Organization is excluded as they have their own governing board.

Jenkins Volunteer Fire Department Funds

Although the City budgets and reports some expenditures applicable to public safety regarding fire protection and, the volunteer organization provides financial reports to the City, the organization is excluded, as oversight and, accountability for its financial funds remain outside of City management.

Jenkins Days Festival Committee

The Organization is excluded as they have their own governing board.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20232. Government-Wide and Fund Financial Statements*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The City reports the following major funds:

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

The *Water, Sewer and Solid Waste Funds* are used to account for those operations that are financed and operated in a manner similar to private business or where management has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20232. Government-Wide and Fund Financial Statements (continued)

Additionally, the government reports the following non-major fund types:

The *Municipal Road Fund* accounts for state road funds restricted to improving the City's highway infrastructure.

The *LGEA Fund* is a restricted to assisting in general operations of the City.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 needed.

4. Assets, Liabilities, and Net Position or Equity

a. Cash and Investments

Cash and investments are separately held and reflected in their respective funds as "cash and cash equivalents" and "investments" some of which are restricted assets.

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of one year or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

b. Inventories and Prepays

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis and recorded as an expenditure at time individual inventory items are used. Supplies and materials inventory are not considered material for financial statement reporting purposes.

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepays are similarly reported in government-wide and fund financial statements, when applicable.

c. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20234. Assets, Liabilities, and Net Position or Equity (continued)

a. Capital Assets, Depreciation, and Amortization (continued)

consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component unit financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. Estimated useful lives are as follows:

Water and sewer line extensions	30 – 50 years
Buildings	30 – 50 years
Furniture and office equipment	5 – 10 years
Water storage tanks	30 – 50 years
Vehicles and equipment	4 – 10 years
Water and sewer treatment plant	30 – 50 years

b. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

c. Fund Equity

The City implemented Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for the fiscal year ended June 30, 2011. This standard clarifies existing governmental fund type definitions and establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

CITY OF JENKINS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

4. Assets, Liabilities, and Net Position or Equity (continued)

Classifications will include *non-spendable*, examples being prepaid items and inventory, and the following spendable fund balances – *restricted* – fund balances that are constrained by external parties, constitutional provisions or enabling legislation, *committed* – fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, *assigned* – fund balances that contain self-imposed constraints of the government to be used for a particular purpose and *unassigned* – fund balance of the general fund that is not constrained for any particular purpose.

The standard affects fund balance reporting only and does not affect government-wide or proprietary fund financial statements.

The following schedule reflects governmental fund balances at June 30, 2023:

	<u>General</u>	Municipal Road <u>Aid</u>	<u>L.G.E.A.</u>	Total Governmental <u>Funds</u>
<u>Fund Balance:</u>				
Unassigned	113,145	-	-	113,145
Restricted	<u>409,922</u>	<u>26,146</u>	<u>58,169</u>	<u>494,237</u>
<u>Total fund balance</u>	<u><u>523,067</u></u>	<u><u>26,146</u></u>	<u><u>58,169</u></u>	<u><u>607,382</u></u>

GASB 63, implemented for the year ended June 30, 2013, changed the presentation of the City’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources. Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “investment in capital assets”, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations on its use either through the enabling legislation adopted by the City or through external restrictions imposed by the creditors, grantors or laws or regulations of other governments.

5. Sources of Revenue and Other General Information

a. Revenues

The major sources of revenue other than general fund tax and licenses and proprietary fee for services are federal and state grants, state financial assistance, local contributed cash, contributed services, and other revenues as discussed below.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20235. Sources of Revenue and Other General Information (continued)1. Federal and State Grant Revenue

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

2. State Financial Assistance

State financial assistance revenues are recognized upon notification of the amount of the award as the resources are collectible within the current period.

3. Local Contributed Cash

Contributions to grant programs from local governments and other participants are recognized as revenue when grant expenditures are incurred in the case of cost reimbursement grants.

4. In-Kind – Contributed Services

Local contributions, which include contributed services provided by individuals, private organizations and local governments, are used to match federal funding on various grants. Contributed services are therefore reflected as revenue and expenditures in accordance with legal requirements of the individual grants. Contributed services are recorded as an expenditure with an equivalent amount recorded as revenue. The amounts of such services are recorded in the accompanying financial statements at their estimated fair values at date of receipt, when applicable. The value of contributions made on behalf of other organizations are recognized in the financial statements, when applicable.

5. Other Revenues

Other revenues are composed primarily of interest and miscellaneous charges for services. Interest income is recorded as earned since it is measurable and available. Miscellaneous charges for services are recorded as revenues when received in cash because they are generally not measurable until actually received.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20235. Sources of Revenue and Other General Information (continued)

b. Leases

Lessee

The City has a policy to recognize a lease liability and a right-to-use asset (lease asset) in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.

- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported on the statement of net position. No lease arrangement met the criteria set by the City for recognition.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20235. Sources of Revenue and Other General Information (continued)

b. Leases(continued)

Lessor

When the City is a lessor for leases of buildings and land it recognizes a lease receivable and deferred inflows of resources in the financial statements. The City has a policy to recognize a lease receivable in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable. No lease met recognition requirements.

6. Subscription Based Technology Arrangements

The City recognizes a subscription liability and an intangible right-to-use subscription asset (subscription asset) in the government-wide financial statements. The City recognizes individual qualifying subscription liabilities which meet the criteria for recognition and is considered material to its financial statement presentation.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20236. Subscription Based Technology Arrangements(continued)

Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position. Based on management's assessment of materiality and criteria for recognition, the City did not have any subscription-based technology arrangements meeting criteria for recognition.

7. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds as well as for all enterprise funds. These budgets are adopted on a basis consistent with generally accepted accounting principles.
- b. Budgetary data for capital project funds has not been presented in the accompanying combined financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.
- c. The City Council approves, by ordinance, total budget appropriations only and any revisions that alter the total appropriations of any fund must be approved by the City Council.
- d. Therefore, the level of budgetary responsibility is by total appropriations. However, for report purposes this level has been expanded to a functional basis (general government, public safety, etc.).
- e. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.
- f. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 20238. Leave Policies

The vacation leave and sick leave policy for city employees is as follows:

Employees receive annual vacation days ranging from 10 days to 21 days based on years of service. Up to eighty hours of vacation leave can be carried to the succeeding year.

The sick leave policy allows for the accumulation of 1 day each month or 12 days per year with a maximum of 360 hours. Unused sick leave can be carried to the succeeding year.

9. Encumbrances

Encumbrances represent commitments related to unperformed contracts for good or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental fund types.

Encumbrances are reported as a component of assigned, restricted or committed fund balance since they do not constitute expenditures or liabilities.

10. Property Tax Calendar

Property taxes for fiscal year 2022 were levied in September 2022, on the assessed valuation of property in Letcher County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes, are as follows:

<u>Description</u>	<u>Per KRS 134.020</u>
1. Due date for payment of taxes, 1% discount	30 days from the date mailed
2. Face value amount payment date	31-60 days from the date mailed
3. Delinquent date, 20% penalty, 6% interest per annum	Beyond 61 days from the date mailed

Vehicle taxes are collected by the County Clerk of Letcher County and are due and collected in the birth month of the vehicle licensee.

11. Accounting for Pensions and Other Post-Employment Benefits (OPEB)

The city participates in a retirement plan through the Kentucky Public Employees' Deferred Compensation Authority. The city does not currently contribute to the employees' account. GASB Statements Nos. 67 and 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*, GASB Statement No. 71 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, are not applicable to the reporting entity.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 202312. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. Recently Issued Accounting Pronouncements

The City adopted the following new accounting pronouncement during the year ended June 30, 2023.

- Statement No. 96—Subscription-Based Information Technology Arrangments – Implementation, effective for the City’s fiscal year ending June 30, 2023.

The impact of these pronouncements are reflected in the current financial statements.

The City will adopt the following new accounting pronouncements in future years:

- Implementation Guide No. 2021-1—Amendments to Previously Issued Guidance, Question 7.9.8, regarding capitalization policies for a group of assets which exceeds the City’s established threshold, for example computers and furniture, effective for reporting periods beginning after June 15, 2023.
- Statement No. 100, Accounting Changes and Error Corrections, effective for the City’s reporting period beginning after June 15, 2023.
- Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences. It aligns the recognition and measurement guidance under a unified model and amends certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023.

The impact of these pronouncements on the City’s financial statements has not been determined.

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023Note B – Cash and Investments

The carrying amount of the City's deposits with financial institutions was \$687,061 and the bank balance was \$837,498.

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the City may not recover collateral securities. The City requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation coverage (FDIC). At June 30, 2023, \$621,105 was covered by FDIC and the remainder was considered uncollateralized. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the City's investments in a single issuer. All of the organization's cash is held at a local financial institution. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The City does not hold any foreign investments.

Note C – Inventory Items

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are purchased. Proprietary fund and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis.

Note D – Payable from Restricted Assets

Certain assets of the City of Jenkins have been restricted for debt service, customer deposit, equipment, infrastructure and construction. The assets consist of cash and short-term investments restricted as follows:

L.G.E.A. fund	\$	58,169
Road fund		26,146
Downtown building fund		13,144
East KY Safe Funds		66,115
National Opioid settlement		27,131
American Recovery Act		266,796
Blighted and Deteriorated Property		12,906
Special projects account		23,830
PH 5 Waterline account		76
Utility debt service		26,047
<u>Total</u>	\$	<u>520,360</u>

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023Note D – Payable from Restricted Assets(continued)

The depreciation reserve fund requires funding to the reserve account on the following loans at the following levels:

<u>Issue</u>	<u>Required Reserve</u>
KIA A12-30	\$ 8,400
KIA F14-005	28,500
US RD 91-01	4,140
US RD 91-09	18,900
US RD 92-12	18,240
	<u>\$ 78,180</u>

The required reserve amounts have not been met.

Note E – Cash per Cash Flow Statement

Cash per cash flow statement at June 30, 2023 is as follows:

Utility revenue fund	\$ 36,924
O & M account	1,331
Utility school tax fund	563
PH5 Waterline fund	76
Utility debt service account	<u>26,047</u>
<u>Totals</u>	<u>\$ 64,941</u>

Note F – Fund Financial Statements Excess
Expenditures Over Revenue/Deficit Balances

Excess of expenditures over revenues before other financing sources
by fund for the year ended June 30, 2023:

General Fund	\$ 107,389
Water Fund	415,386
Sewer	135,471

The following fund had a deficit balance at June 30, 2023:

None

CITY OF JENKINS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note G – Allowance for Uncollectible Accounts

Allowance for uncollectible receivables in the Water Fund at June 30, 2023 was \$167,306, Sewer Fund was \$93,898, Solid Waste Fund was \$270,463 and the General Fund was \$9,820.

Note H – Proprietary Funds Property, Plant and Equipment

The following is a summary of changes in the property, plant and equipment of the enterprise funds at June 30, 2023:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>
<u>Capital assets not being depreciated:</u>				
Land, easement and right of way	\$ 2,456,691	\$ -	\$ -	\$ 2,456,691
Total capital assets not being depreciated	2,456,691	-	-	2,456,691
<u>Capital assets being depreciated:</u>				
Buildings and equipment	25,209,848	4,000	-	25,213,848
Distribution and collection	390,256	10,700	-	400,956
Total capital assets being depreciated	25,600,104	14,700	-	25,614,804
<u>Less accumulated depreciation for:</u>				
Water department	6,565,292	481,811	-	7,047,103
Sewer department	5,938,278	218,123	-	6,156,401
Solid waste department	240,870	-	-	240,870
Total accumulated depreciation	12,744,440	699,934	-	13,444,374
<u>Total capital assets being depreciated, net:</u>	<u>12,855,664</u>	<u>(685,234)</u>	<u>-</u>	<u>12,170,430</u>
<u>Total proprietary fund fixed assets</u>	<u>\$ 15,312,355</u>	<u>\$ (685,234)</u>	<u>\$ -</u>	<u>\$ 14,627,121</u>

CITY OF JENKINS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note I – Governmental Fixed Assets

The following is a summary of changes in governmental fixed assets:

	Restated Balance <u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2023</u>
<u>Capital assets not being depreciated:</u>				
Land	\$ 392,985	\$ -	\$ -	\$ 392,985
Total capital assets not being depreciated	\$ 392,985	\$ -	\$ -	\$ 392,985
<u>Capital assets being depreciated:</u>				
Buildings	\$ 2,339,660	\$ -	\$ -	\$ 2,339,660
Machinery and equipment	376,984	-	-	376,984
Transportation equipment	<u>487,223</u>	<u>15,750</u>	-	<u>502,973</u>
Total capital assets being depreciated	3,203,867	15,750	-	3,219,617
<u>Less accumulated depreciation for:</u>				
Buildings	(715,713)	(69,603)	-	(785,316)
Machinery and equipment	(241,395)	(31,227)	-	(272,622)
Transportation equipment	<u>(382,299)</u>	<u>(31,772)</u>	-	<u>(414,071)</u>
Total accumulated depreciation	<u>(1,339,407)</u>	<u>(132,602)</u>	-	<u>(1,472,009)</u>
<u>Total capital assets being depreciated, net:</u>	<u>1,864,460</u>	<u>(116,852)</u>	-	<u>1,747,608</u>
<u>Total governmental fund fixed assets</u>	<u>\$ 2,257,445</u>	<u>\$ (116,852)</u>	<u>\$ -</u>	<u>\$ 2,140,593</u>

CITY OF JENKINS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note J – Long Term Debt/Demand Notes

The following is a summary of changes in long-term obligations for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Current
<u>Governmental activities:</u>					
General obligation bonds	\$ 216,667	\$ -	\$ (20,000)	\$ 196,667	\$ 20,000
Notes from direct borrowing	144,375	-	(38,877)	105,498	38,355
Total	<u>\$ 361,042</u>	<u>\$ -</u>	<u>\$ (58,877)</u>	<u>\$ 302,165</u>	<u>\$ 58,355</u>
<u>Proprietary-type activities:</u>					
General obligation bonds	1,282,500	-	(29,000)	1,253,500	29,500
Notes from direct borrowing	1,173,847	-	(79,373)	1,094,474	79,970
Total	<u>2,456,347</u>	<u>-</u>	<u>(108,373)</u>	<u>2,347,974</u>	<u>109,470</u>
	<u>\$ 2,817,389</u>	<u>\$ -</u>	<u>\$ (167,250)</u>	<u>\$ 2,650,139</u>	<u>\$ 167,825</u>

The City's outstanding notes from direct borrowing related to governmental activities contains provision that in the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees.

The City's outstanding notes from direct borrowing related to proprietary-type activities contains provision that in the event of default, outstanding balances become immediately due, with possible loss of equipment, interest rate increases and accrued fees. If the City defaults on the proprietary-type activities related to the Revenue Bonds, the lenders may assign a receiver to administer on behalf of the City to charge and collect rates sufficient to provide for payment of operating and maintenance expenses and for the payment of principal and interest on the outstanding balances.

Principal and interest requirements to retire the City's long-term obligations are as follows:

	Governmental activities				Proprietary fund activities			
	Bonds		Notes		Bonds		Notes	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 20,000	\$ 5,979	\$ 38,355	\$ 3,924	\$ 29,500	\$ 30,023	\$ 79,970	\$ 10,395
2025	20,000	5,439	13,486	2,605	30,000	29,303	80,572	9,649
2026	20,000	4,850	13,529	2,050	31,000	28,566	81,179	8,853
2027	20,000	4,249	7,920	1,588	31,500	27,809	81,790	8,050
2028	20,000	3,650	8,265	1,243	32,500	27,034	82,404	7,187
2029 - 33	85,833	9,177	23,943	1,516	176,000	122,789	421,422	23,680
2034 - 38	10,834	447.00	-	-	200,000	99,991	267,137	4,407
2039 - 43	-	-	-	-	226,500	74,049	-	-
2044 - 48	-	-	-	-	258,500	44,460	-	-
2049 - 53	-	-	-	-	217,000	13,046	-	-
2054 - 56	-	-	-	-	21,000	223	-	-
Total	<u>\$ 196,667</u>	<u>\$ 33,791</u>	<u>\$ 105,498</u>	<u>\$ 12,926</u>	<u>\$ 1,253,500</u>	<u>\$ 497,293</u>	<u>\$ 1,094,474</u>	<u>\$ 72,221</u>

CITY OF JENKINSNOTES TO FINANCIAL STATEMENTS (CONTINUED)June 30, 2023Note J – Long Term Debt/Demand Notes (continued)

Governmental:

- The Kentucky League of Cities, loan for City Hall acquisition and renovations, 4.27% interest rate and monthly payments of \$792.
- Kansas State Bank loan used to finance acquisition of fire department vehicle. Interest rate is 4.2% and scheduled to be paid off in fiscal year ending June 30, 2024.
- Kentucky League of Cities, Bond Issue 2012-C, monthly payments for bond and interest, 1.5% interest rate, for acquisition of community center property.
- Kentucky League of Cities, Bond Issue 2013-A, monthly payments for bond and interest, 1.60% interest rate, for renovations and construction of community center property.
- Community Trust Bank, acquisition of mower equipment, 3.78% interest and monthly payments.

Proprietary:

- USDA RD 91-01 interest rates of 2.5% and semi-annual payments proceeds used for City infrastructure projects.
- USDA RD 91-09 interest rate of 3.375% and semi-annual payments proceeds used for City infrastructure projects.
- USDA RD 92-12 interest rate of 2.13% and semi-annual payments proceeds used for City infrastructure projects.
- KIA A12-30 interest rate of .75% and monthly payments proceeds used for City infrastructure projects.
- KIA F14-005 interest rate of .75% and monthly payments proceeds used for City infrastructure projects.

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the above revenue bonds. Proceeds from the bonds were used for rehabilitation or expansion of the City's water and sewer systems.

The City has no established credit lines with local financial institutions.

CITY OF JENKINS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

Note J – Long Term Debt/Demand Notes (continued)

Individual changes in notes payable are as follows:

	Rate	Due	Collateral	Restated Balance 7/1/2022	Additions	Reductions	Balance 6/30/2023	Current
<u>Proprietary Fund</u>								
KIA - A12-30	0.75%	Monthly	Revenues	\$ 307,102	\$ -	\$ (22,575)	\$ 284,527	\$ 22,745
KIA F14-005	0.75%	Monthly	Revenues	866,745	-	(56,798)	809,947	57,225
USDA RD 91-01	2.50%	Semi-Annual	Revenues	369,000	-	(9,500)	359,500	9,500
USDA RD 91-09	3.38%	Semi-Annual	Revenues	391,000	-	(8,000)	383,000	8,000
USDA RD 92-12	2.13%	Semi-Annual	Revenues	522,500	-	(11,500)	511,000	12,000
Total Proprietary Fund				<u>2,456,347</u>	<u>-</u>	<u>(108,373)</u>	<u>2,347,974</u>	<u>109,470</u>
<u>Governmental Fund</u>								
KLC - City Hall	4.27%	Monthly	Property	68,494	-	(6,532)	61,962	6,970
Bond Issue 2012-C	1.50%	Monthly	Revenues	95,833	-	(10,000)	85,833	10,000
Bond Issue 2013-A	1.60%	Monthly	Revenues	120,834	-	(10,000)	110,834	10,000
Kansas State Bank - Fire Truck	4.12%	Semi-Annual	Equipment	49,790	-	(24,388)	25,402	25,402
Rental Trailer	3.50%	Monthly	Equipment	1,717	-	(1,717)	-	-
Community Trust Bank - Mower	3.78%	Monthly	Equipment	24,374	-	(6,240)	18,134	5,983
Total Governmental Fund				<u>361,042</u>	<u>-</u>	<u>(58,877)</u>	<u>302,165</u>	<u>58,355</u>
Total All Funds				<u>\$ 4,115,316</u>	<u>\$ -</u>	<u>\$ (167,250)</u>	<u>\$ 2,650,139</u>	<u>\$ 167,825</u>

Note K – Contingent Liabilities

The City's management has stated, as of audit date, litigation pending against the City of Jenkins is estimated to be within the scope of its insurance coverage limitations.

Note L – Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

CITY OF JENKINSNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2023Note M – Insurance and Related Activities

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City has purchased certain policies which are retrospectively rated, which includes worker's compensation insurance.

Note N – Concentrations

The City's enterprise operations are concentrated in the Letcher County area. The city's governmental operations are dependent on a sustaining tax base and assistance from local, state and federal authorities.

Note O -Subsequent Events

The City continues to monitor the direct and indirect effects of COVID-19, which has led to closings of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projections reflecting any significant changes in revenues or expenditures affecting the City as a result of the coronavirus.

In July 2022, the City was directly impacted by historic flooding in Eastern Kentucky, and declared a federal disaster area, causing loss of life and extensive physical damages to residences, businesses and infrastructure. While the long-term financial impact for the City cannot be reasonably estimated, management anticipates monitoring and preparing amendments to future budget projections reflecting any changes in revenues or expenditures because of the flooding.

Note P -Restated Beginning Balances

Governmental activities beginning net position was increased \$109,035 to accurately reflect beginning fixed assets and long-term debt balances for governmental funds. General fund beginning fund balance was increased \$33,884 to accurately reflect changes in capital outlay and long-term debt payments from previous reporting periods. Net assets beginning of the year for proprietary funds were reallocated among the Water, Sewer, and Solid Waste departments. However, there was no net effect of the reallocation on beginning net assets for proprietary funds.

SUPPLEMENTARY INFORMATION

CITY OF JENKINS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2023

	General Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES:</u>				
Property taxes	\$ 194,500	\$ 194,500	\$ 188,593	\$ (5,907)
Payroll and occupational taxes	183,000	185,777	177,567	(8,210)
Franchise and public service tax	193,700	193,700	159,647	(34,053)
Insurance tax	143,000	143,000	145,124	2,124
Intergovernmental	16,000	113,284	129,780	16,496
Rent	44,600	44,600	40,504	(4,096)
Parks and recreation	27,600	27,600	65,617	38,017
Alcohol beverage tax	26,000	26,000	25,329	(671)
Other revenues	<u>12,400</u>	<u>12,400</u>	<u>21,037</u>	<u>8,637</u>
<u>Total revenues</u>	<u>840,800</u>	<u>940,861</u>	<u>953,198</u>	<u>12,337</u>
<u>EXPENDITURES:</u>				
<u>Current:</u>				
General government	451,260	554,122	564,563	(10,441)
Public safety	229,943	229,943	227,806	2,137
Road	-	73,695	73,695	-
Cultural and recreation	80,463	80,463	93,248	(12,785)
Community development	23,610	23,610	28,017	(4,407)
Debt service	<u>59,202</u>	<u>59,202</u>	<u>73,258</u>	<u>(14,056)</u>
<u>Total expenditures</u>	<u>844,478</u>	<u>1,021,035</u>	<u>1,060,587</u>	<u>(39,552)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(3,678)</u>	<u>(80,174)</u>	<u>(107,389)</u>	<u>(27,215)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Sale of surplus property	3,428	15,428	12,280	(3,148)
Insurance reimbursements	-	64,496	81,639	17,143
Interest income	<u>250</u>	<u>250</u>	<u>383</u>	<u>133</u>
<u>Total other financing sources (uses)</u>	<u>3,678</u>	<u>80,174</u>	<u>94,302</u>	<u>14,128</u>
Excess of revenues over (under) expenditures and other sources (uses)	-	-	(13,087)	(13,087)
<u>FUND BALANCE - JULY 1, (restated)</u>	<u>-</u>	<u>-</u>	<u>536,154</u>	<u>-</u>
<u>FUND BALANCE - JUNE 30</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 523,067</u>	<u>\$ -</u>

See notes to financial statements and independent auditor's report.

Chris Gooch

Certified Public Accountant
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chrisgooch@chrisgoochcpa.com

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*

Honorable 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, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Jenkins, Kentucky's basic financial statements, and have issued our report thereon dated July 17, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Jenkins, Kentucky's 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, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Jenkins, Kentucky's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jenkins, Kentucky's 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*.

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.



Chris Gooch
Certified Public Accountant

Hazard, Kentucky
July 17, 2024

APPENDIX A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CITY OF JENKINS

For the year ended June 30, 2023

The City of Jenkins hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by applicable Kentucky Revised Statutes.



Todd Depriest, Mayor