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# City of Jenkins, Kentucky

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## Audited Financial Statements

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June 30, 2018

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# CITY OF JENKINS

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Year Ended June 30, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on 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 November 10, 2018, 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  
November 10, 2018

City of Jenkins  
**Statement of Net Assets**  
June 30, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash, including time deposits	\$ 74,704	\$ 58,702	\$ 133,406
Restricted cash	0	0	0
Prepaid liability insurance	0	0	0
Accounts receivable, net	22,847	87,876	110,723
Total current assets	97,551	146,578	244,129
Noncurrent Assets:			
Capital assets (net)	2,381,820	16,922,486	19,304,306
Total Assets	2,479,371	17,069,064	19,548,435
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	14,023	60,597	74,620
Payroll related liabilities	9,754	15,925	25,679
Notes payable	68,869	103,918	172,787
Total current liabilities	92,646	180,440	273,086
Noncurrent Liabilities:			
Water deposits	0	67,004	67,004
Notes payable	501,290	2,731,630	3,232,920
Total noncurrent liabilities	501,290	2,798,634	3,299,924
Total Liabilities	593,936	2,979,074	3,573,010
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,811,661	14,086,939	15,898,600
Restricted	0	0	0
Unrestricted	73,774	3,051	76,825
Total Net Assets	\$ 1,885,435	\$ 14,089,990	\$ 15,975,425

See accompanying notes to the basic financial statements.

City of Jenkins  
**Statement of Activities**  
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<b>Governmental Activities:</b>					
General government	584,958	0	0	0	(584,958)
Depreciation	45,951	0	0	0	(45,951)
Interest	6,575	0	0	0	(6,575)
Public safety	175,139	0	0	0	(175,139)
Depreciation	38,935	0	0	0	(38,935)
Interest	5,503	0	0	0	(5,503)
Transportation	25,817	0	0	0	(25,817)
Streets-Depreciation	3,714	0	0	0	(3,714)
Streets-Interest	441	0	0	0	(441)
Cultural and recreation	52,301	0	0	0	(52,301)
Depreciation	31,147	0	0	0	(31,147)
Interest	12,520	0	0	0	(12,520)
Community development	33,090	0	0	0	(33,090)
<b>Total governmental activities</b>	<b>1,016,091</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,016,091)</b>
<b>Business-type activities:</b>					
Water	975,738	537,727	0	0	(438,011)
Sewer	455,898	300,770	0	0	(155,128)
Solid waste	186,509	227,107	0	0	40,598
<b>Total business-type activities</b>	<b>1,618,145</b>	<b>1,065,604</b>	<b>0</b>	<b>0</b>	<b>(552,541)</b>
<b>Total</b>	<b>2,634,236</b>	<b>1,065,604</b>	<b>0</b>	<b>0</b>	<b>(1,568,632)</b>

**Changes In Net Assets:**

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,016,091)	\$ (552,541)	\$ (1,568,632)
<b>General revenues:</b>			
<b>Taxes:</b>			
Property	180,606	0	180,606
Payroll	150,479		150,479
Franchise and public service	151,309	0	151,309
Insurance	116,662	0	116,662
License and permits	32,896	0	32,896
Intergovernmental	318,123	0	318,123
Investment income	176	114	290
Miscellaneous	91,300	0	91,300
Transfers	76,946	(76,946)	0
<b>Total general revenues and transfers</b>	<b>1,118,497</b>	<b>(76,832)</b>	<b>1,041,665</b>
Change in net assets	102,406	(629,373)	(526,967)
Net assets-beginning	1,783,029	14,719,363	16,502,392
Net assets-ending	\$ 1,885,435	\$ 14,089,990	\$ 15,975,425

See accompanying notes to the basic financial statements.

City of Jenkins  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2018

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 52,534	\$ 10,351	\$ 11,819	\$ 74,704
Investments	0	0	0	0
Receivables, net	22,847	0	0	22,847
<b>Total assets</b>	<b>\$ 75,381</b>	<b>\$ 10,351</b>	<b>\$ 11,819</b>	<b>\$ 97,551</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Payroll liabilities	\$ 9,754	\$ -	\$ -	\$ 9,754
Accounts payable	14,023	0	0	14,023
<b>Total Liabilities</b>	<b>23,777</b>	<b>0</b>	<b>0</b>	<b>23,777</b>
Fund balances:				
Reserved for:				
Assigned	0	0	0	0
Unassigned	51,604	10,351	11,819	73,774
<b>Total fund balances</b>	<b>51,604</b>	<b>10,351</b>	<b>11,819</b>	<b>73,774</b>
<b>Total liabilities and fund balances</b>	<b>\$ 75,381</b>	<b>\$ 10,351</b>	<b>\$ 11,819</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. (570,159)

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 863,227 2,381,820

Net assets of governmental activities \$ 1,885,435

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, 2018

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
<b>Revenues</b>				
Property taxes	\$ 180,606	\$ -	\$ -	\$ 180,606
Payroll taxes	150,479	0	0	150,479
Franchise taxes	151,309	0	0	151,309
Insurance tax	116,662	0	0	116,662
Licenses and permits	32,896	0	0	32,896
Intergovernmental	225,237	44,439	48,447	318,123
Proceeds from financing	0	0	0	0
Investment earnings	176	0	0	176
Sale of surplus property	0	0	0	0
Miscellaneous	91,301	0	0	91,301
<b>Total revenues</b>	<b>948,666</b>	<b>44,439</b>	<b>48,447</b>	<b>1,041,552</b>
<b>Expenditures</b>				
Current:				
General government	579,465	5,493	0	584,958
Public Safety	135,270	0	39,869	175,139
Road	0	25,817	0	25,817
Parks and recreation	52,301	0	0	52,301
Community development	33,090	0	0	33,090
Debt service:				
Principal	129,332	0	0	129,332
Interest and other charges	25,039	0	0	25,039
Capital outlay	236,017	0	0	236,017
<b>Total expenditures</b>	<b>1,190,514</b>	<b>31,310</b>	<b>39,869</b>	<b>1,261,693</b>
Excess (deficiency) of revenues over expenditures	(241,848)	13,129	8,578	(220,141)
<b>Other Financing Sources (Uses)</b>				
Transfers in	76,945	0	0	76,945
Transfers out	0	0	0	0
Grants	111,324	0	0	111,324
<b>Total other financing sources and uses</b>	<b>188,269</b>	<b>0</b>	<b>0</b>	<b>188,269</b>
<b>Net Change in Fund Balances</b>	<b>(53,579)</b>	<b>13,129</b>	<b>8,578</b>	<b>(31,872)</b>
Fund Balances-beginning	105,183	(2,778)	3,241	105,646
Fund Balances-Ending	<b>\$ 51,604</b>	<b>\$ 10,351</b>	<b>\$ 11,819</b>	<b>\$ 73,774</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, 2018

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 \$ (31,872)

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:

Prepaid insurance	(111,325)
Payments on long term debt	129,333
Capital outlay	236,017
Depreciation expense	<u>(119,747)</u>

134,278

Change in Net Assets of Governmental Activities \$ 102,406

75134

See accompanying notes to the basic financial statements.



City of Jenkins  
**Statement of Net Assets**  
**Proprietary Funds**

June 30, 2018

	Enterprise Funds			Totals
	Water	Sewer	Solid Waste	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ (147,918)	\$ 104,732	\$ 101,888	\$ 58,702
Investments	0	0	0	-
Restricted cash	0	0	0	-
Receivables, net	44,204	31,823	11,849	87,876
Other current assets	0	0	0	-
Total current assets	-103,714	136,555	113,737	146,578
Noncurrent assets:				
Capital assets:				
Land and improvements	1,480,108	110,500	0	1,590,608
Distribution and collection systems	16,251,638	8,597,597	0	24,849,235
Buildings and equipment	0	149,386	278,020	427,406
Less accumulated depreciation	(4,744,030)	(5,055,967)	(144,766)	(9,944,763)
Total noncurrent assets	12,987,716	3,801,516	133,254	16,922,486
Total assets	12,884,002	3,938,071	246,991	17,069,064
<b>Liabilities</b>				
Current liabilities				
Accounts payable	23,538	16,435	20,624	60,597
Accrued compensated leave	9,105	6,094	727	15,926
Bonds, notes, and loans payable	90,274	10,500	3,144	103,918
Total current liabilities	122,917	33,029	24,495	180,441
Noncurrent liabilities:				
Water deposits	67,004	0	0	67,004
Bonds, notes, and loans payable	2,175,630	556,000	0	2,731,630
Total noncurrent liabilities	2,242,634	556,000	0	2,798,634
Total liabilities	2,365,551	589,029	24,495	2,979,075
<b>Net Assets</b>				
Invested in capital assets, net of related debt	10,721,813	3,235,016	130,110	14,086,939
Restricted(nonexpendable)	0	0	0	0
Unrestricted	(203,359)	114,025	92,386	3,052
<b>Total net assets</b>	<b>\$ 10,518,454</b>	<b>\$ 3,349,041</b>	<b>\$ 222,496</b>	<b>\$ 14,089,991</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, 2018

	Enterprise Funds			Totals
	Water	Sewer	Solid Waste	
Operating revenues:				
Charges for services	\$ 474,005	\$ 300,770	\$ 227,107	\$ 1,001,882
Miscellaneous	63,721	0	0	63,721
Total operating revenues	<u>537,727</u>	<u>300,770</u>	<u>227,107</u>	<u>1,065,604</u>
Operating expenses:				
Cost of goods sold	140,530	76,217	75,879	292,626
Personal services	300,711	132,353	80,850	513,913
Materials and supplies	15,302	18,343	14,509	48,154
Other services and charges	21,490	7,549	5,934	34,974
Depreciation	448,639	221,436	9,336	679,411
Total operating expenses	<u>926,671</u>	<u>455,898</u>	<u>186,509</u>	<u>1,569,078</u>
Net operating income	<u>(388,945)</u>	<u>(155,128)</u>	<u>40,598</u>	<u>(503,474)</u>
Nonoperating revenue (expense):				
Investment income	103	12	0	114
Interest expense	(49,066)	0	0	(49,066)
Grant and Intergovernmental	0	0	0	0
Total nonoperating revenue (expense)	<u>(48,963)</u>	<u>12</u>	<u>0</u>	<u>(48,952)</u>
Net Income before contributions and transfers	(437,908)	(155,117)	40,598	(552,427)
Insurance proceeds	0	0	0	0
Operating transfers in (out)	(56,945)	(20,000)	0	(76,946)
Net income	(494,853)	(175,117)	40,598	(629,373)
Net assets-beginning of year	<u>11,013,307</u>	<u>3,524,158</u>	<u>181,898</u>	<u>14,719,363</u>
Net assets-end of year	<u>\$ 10,518,454</u>	<u>\$ 3,349,042</u>	<u>\$ 222,496</u>	<u>\$ 14,089,991</u>

See accompanying notes to the basic financial statements.

City of Jenkins  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year Ended June 30, 2018

	Enterprise Funds			Totals
	Water	Sewer	Solid Waste	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	545,880	313,847	228,958	1,088,685
Payments to suppliers	(177,321)	(102,109)	(96,323)	(375,753)
Payments to employees	(300,711)	(132,353)	(80,850)	(513,914)
Other	0	0	0	0
Net cash provided (used) by operating activities	67,848	79,385	51,785	199,018
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers (to) from other funds	(56,945)	(20,000)	0	(76,945)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Water deposits	5,009	0	0	5,009
Principal paid on capital debt	(88,717)	(10,500)	(12,384)	(111,601)
Interest paid on capital debt	(49,066)	0	0	(49,066)
Net cash provided (used) by capital and related financing activities	(132,774)	(10,500)	(12,384)	(155,658)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	103	12	0	115
Net increase (decrease) in cash and cash equivalents	(121,768)	48,897	39,401	(33,470)
Balances-beginning of year	(26,150)	55,835	62,487	92,172
Balances-end of year	(147,918)	104,732	101,888	58,702
Cash, including time deposits	(147,918)	104,732	101,888	58,702
Restricted cash, including time deposits	0	0	0	0
Total cash and cash equivalents, end of year	(147,918)	104,732	101,888	58,702
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	(388,945)	(155,128)	40,598	(503,475)
Adjustments:				
Depreciation expense	448,639	221,436	9,336	679,411
Change in assets and liabilities:				
Change in accounts receivable	4,646	3,344	1,246	9,236
Change in accounts payable	3,571	9,174	2,472	15,217
Change in compensated leave	(63)	559	(1,867)	(1,371)
Net cash provided (used) by operating activities	67,848	79,385	51,785	199,018

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, 2018

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**  
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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, 2018 the proprietary funds had restricted Net Assets of \$-0- to fund future construction costs. This amount is not available for ordinary use.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which 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, 2018

**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, 2018. 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, 2018, the City’s deposits, \$133,406, were insured by the FDIC-Category 1 and Category 2.

**Note 3. ACCOUNTS RECEIVABLE**

Accounts receivable of the business-type activities consists of utilities receivable. Accounts receivable of the governmental activities consists of property tax.

	Governmental Activities	Business-Type Activities	Totals
Accounts receivable	\$ 22,847	\$ 312,600	\$ 335,447
Allowance for doubtful accounts	0	(224,724)	(224,724)
Net Accounts Receivable	\$ 22,847	\$ 87,876	\$ 110,723

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
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**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance At			Balance At
	July 1, 2017	Additions	Disposals	June 30, 2018
<u>Governmental activities:</u>				
Transportation equipment	\$ 420,193	\$ 67,030	\$ 0	\$ 487,223
Buildings	2,027,222	0	0	2,027,222
Land	392,985	0	0	392,985
Machinery and equipment	195,902	141,715	0	337,617
Totals	3,036,302	208,745	0	3,245,047
Less Accumulated depreciation	(743,480)	(119,747)	0	(863,227)
Net	\$ <u>2,292,822</u>	\$ <u>88,998</u>	\$ <u>0</u>	\$ <u>2,381,820</u>
<u>Business-type activities</u>				
Land and improvements	\$ 1,590,608	\$ 0	\$ 0	\$ 1,590,608
Distribution and collection	24,849,235	0	0	24,849,235
Buildings and equipment	427,406	0	0	427,406
Totals	26,867,249	0	0	26,867,249
Less Accumulated depreciation	(9,265,352)	(679,411)	0	(9,944,763)
Net	\$ <u>17,601,897</u>	\$ <u>(679,411)</u>	\$ <u>0</u>	\$ <u>16,922,486</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, 2018

**NOTE 7. DEFICIT OPERATING BALANCES**

There are no funds of the City that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures and a corresponding reduction of fund equity:

General Fund	\$	(53,579)
Water	\$	(437,908)
Sewer	\$	(184,306)

**NOTE 8. LONG-TERM DEBT**

	Balance June 30 <u>2017</u>	<u>Additions</u>	<u>Reduction</u>	Balance June 30 <u>2018</u>	<u>Current Portion</u>
<b><u>Governmental Funds</u></b>					
Kentucky League of Cities:					
City Hall	\$ 97,942	\$ 0	\$ 5,416	\$ 92,526	\$ 5,637
Kansas State Bank					
Fire Truck	144,773	0	6,794	137,979	20,718
Snow Plow	12,792	0	7,281	5,511	5,511
Police Cruiser/Tahoe	9,833	0	9,833	0	0
2017 Insurance loan	9,988	0	9,988	0	0
2018 Insurance loan	112,074	0	102,560	9,514	9,514
Bond Issue 2012-C	142,620	0	6,787	135,833	10,000
Bond Issue 2013-A	169,470	0	8,091	161,379	10,000
HME Fire Truck EMT	<u>0</u>	<u>27,417</u>	<u>0</u>	<u>27,417</u>	<u>7,489</u>
Totals	\$ <u>699,492</u>	\$ <u>27,417</u>	\$ <u>156,750</u>	\$ <u>570,159</u>	\$ <u>68,869</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 68,869	19,710	88,579
2020	54,948	16,119	71,067
2021	56,101	14,528	70,629
2022	55,306	12,856	68,162
2023	51,068	11,114	62,182
2024-2028	163,421	34,475	197,896
2029-2033	109,612	10,693	120,305
2034-2035	10,834	447	11,281
	\$ <u>570,159</u>	\$ <u>119,942</u>	\$ <u>690,101</u>

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2018

**Proprietary Funds**

	June 30 2017	Additions	Reductions	June 30 2018	Current Portion
	\$	\$	\$	\$	\$
KIA A12-30	404,308	-	21,061	383,247	21,220
KIA F14-005	1,111,811	0	53,156	1,058,655	53,555
USDA RD 91-01	412,000	0	8,000	404,000	8,500
USDA RD 91-09	426,500	0	6,500	420,000	7,000
USDA RD 92-12	577,000	0	10,500	566,500	10,500
Solid Waste Vehicle	15,527	0	12,384	3,143	3,143
<b>Total</b>	<b>\$ 2,947,146</b>	<b>-</b>	<b>\$ 111,601</b>	<b>\$ 2,835,545</b>	<b>\$ 103,918</b>

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

	Principal	Interest	Total
2019	103,918	44,061	147,979
2020	101,836	42,851	144,687
2021	103,403	41,634	145,037
2022	104,473	40,393	144,866
2023	106,048	39,130	145,178
2024-2028	548,506	175,966	724,472
2029-2033	585,031	140,996	726,027
2034-2038	459,330	103,626	562,956
2039-2043	226,500	74,049	300,549
2044-2048	258,500	44,460	302,960
2049-2053	217,000	13,046	230,046
2054	21,000	223	21,223
<b>Total</b>	<b>\$ 2,835,545</b>	<b>\$ 760,435</b>	<b>\$ 3,595,980</b>

**Governmental Funds**

City Hall: Effective interest rate of 4.27% after considering all monthly fees. Payable monthly at \$792.34

Fire Truck: Effective interest rate of 4.12%, payable semiannually at \$13,095 per payment or \$26,190 per year. The final payment is due February 1, 2024.

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

City of Jenkins, Kentucky  
**Notes To Financial Statements**  
June 30, 2018

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

1992 Ladder Truck: Financed with local bank at approximately 6%, payable in five annual payments of \$7,124 each beginning on June 30, 2014.

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**

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. The balance of this loan as of June 30, 2018, is \$404,308.14.

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. The balance of this loan as of June 30, 2018, is \$1,111,811.17.

Others:

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

**NOTE 9. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. The City contracts with the Kentucky League of Cities Insurance Services (KLCIS), a local government risk pool for insurance coverage for these risks. KLCIS was formed for the primary purpose of managing and funding third-party liability claims against its members. As a member of KLCIS, the City is required to make annual contributions sufficient to produce the funds necessary to fund the administrative expenses and the claims and claims expenses, and any deficiencies in the cumulative reserves. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

**NOTE 10. CONTINGENCIES**

The City is a recipient of several state grants. These programs and grants are subject to a variety of financial and compliance audits by the grantors or their representatives. The City's compliance with applicable requirements for 2018 will be established at a future date.

**NOTE 11. RETIREMENT BENEFITS**

The City participates in a retirement plan through the Kentucky Public Employees' Deferred Compensation Authority. All full-time employees that wish to participate may do so. The City is currently not contributing to the employees' accounts.

**NOTE 12. EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through November 10, 2018, the date which the financial statements were available to be issued. The evaluation has disclosed the following event:

July 2, 2018: Council approved renewing line of credit with local bank.

**City of Jenkins**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2018**

	Acutal	Original	Final	\$ Over Budget
<b>Income</b>				
4109.00 ABC regulatory Fee	19,631	5,000	19,631	0
4110.00 Tower Rent	1,000	2,050	2,050	(1,050)
4111.00 City Taxes	128,411	125,000	125,000	3,411
4111.01 Bank Tax	6,291	6,196	6,196	95
4111.02 Payroll Tax Income	150,479	166,000	166,000	(15,521)
4112.00 Occupational License	12,720	11,000	11,000	1,720
4114.00 Telecommunications Tax	34,836	35,000	35,000	(164)
4114.01 AEP Power Franchise	95,881	97,000	97,000	(1,119)
4116.00 Base Court Revenue	3,929	6,127	6,127	(2,198)
4117.00 Ad Val Tax	32,552	35,000	35,000	(2,448)
4117.01 Motor Vehcile/Watercraf	2,761	3,400	3,400	(639)
4119.00 Delinquent Tax	16,863	45,560	45,560	(28,697)
4124.30 Municipal Aid	44,439	44,000	44,000	439
4125.00 Omitted Tangible	227	0	0	227
4127.00 Court Fines/Cita/Summon	545	1,500	1,500	(955)
4128.00 Insurance tax	116,662	110,000	110,000	6,662
4131.00 LGEA Coal Severance	17,620	43,647	43,647	(26,027)
4131.01 Municipal Mineral Tax	30,827	27,531	27,531	3,296
4133.00 Grants or Donations	171,495	0	294,145	(122,650)
4134.00 Public Service Tax	14,301	50,072	50,072	(35,771)
4135.30 Camden Bridge Income	11,326	0	0	11,326
4150.20 Police Incentive	11,215	12,000	12,000	(785)
4160.10 Misc Admin	(208)	1,000	1,000	(1,208)
4160.20 - Misc Police Income	5,504	5,504	5,504	0
4161.00 B & D Income	0	3,700	3,700	(3,700)
4168.00 Mexican R Bldg Rent	11,700	0	0	11,700
4169.00 Building Rent	23,449	32,475	32,475	(9,026)
4170.00 Old Jenkins High Rental	1,658	1,000	1,000	658
4171.00 Property Sale	1,250	0	0	1,250
4172.00 Parks & Recreation	195	600	600	(405)
4172.80 Pool Admissions	20,167	25,000	25,000	(4,833)
4172.81 Pool Concessions	8,850	25,000	25,000	(16,150)
4172.82 - Pool Parties	8,100	0	0	8,100
4174.50 - Homecoming Days Fest.	324	0	0	0
4180.10 Reimb Admin/Rev	9,943	0	0	9,943
4180.20 Reimbursements Police	61	0	0	61
4180.40 - Reimbursements Fire	(900)	0	0	0
4180.80 Reimbursements to LGEA	0	0	0	0
4310.10 Interest Income-Admin	37	250	250	(213)
4310.11 Interest Income-B & D	9	0	0	9
4310.30 Interest Income-Road	8	0	0	8
4310.50 Interest Income-Parks	1	0	0	1
4310.70 Int. Inc.-Dtown Renov	84	0	0	84



	Acutal	Original	Final	\$ Over Budget
4310.80 Int Income Econ Aid	10	50	50	(40)
4310.90 Int. Inc. Revenue fund	27	0	0	27
4400.00 Transfer from Utility	76,945	0	0	76,945
<b>Total Income</b>	<b>1,091,225</b>	<b>920,662</b>	<b>1,229,438</b>	<b>(138,213)</b>
<b>Expense</b>				
6000.00 Depreciation expense	119,747	0	119,747	0
6109.10 Non-employee Contract	14,856	13,000	13,000	1,856
6109.11 Refunds	4,001	0	0	4,001
<b>6110.00 Payroll Expense</b>				
6110.10 Payroll Admin	187,976	169,200	169,200	18,776
6110.20 Payroll Police	118,579	110,000	110,000	8,579
6110.60 Payroll Depot	14,314	14,000	14,000	314
6110.80 Payroll Pool	15,910	38,100	38,100	(22,190)
6110.00 Payroll Expense - Other	8,648	0	0	8,648
6120.00 Payroll Tax Expense	29,557	33,645	33,645	(4,088)
6122.01 401A Match	5,964	0	0	5,964
6185.10 AEP Street lights	42,225	42,000	42,000	225
6190.10 AEP Expense Admin	11,714	13,000	13,000	(1,286)
6190.11 AEP Expense Rental Bldg	1,768	0	0	1,768
6190.30 AEP Road	2,157	4,000	4,000	(1,843)
6190.40 AEP Fire Dept	8,004	7,000	7,000	1,004
6190.50 AEP Parks & Rec	11,179	12,000	12,000	(821)
6190.60 AEP Museum	3,282	3,400	3,400	(118)
6190.80 EP Pool Area	9,065	6,600	6,600	2,465
6200.10 AEP Outdoor Lights	74	500	500	(426)
6400.10 Advertisement Admin	3,515	0	0	3,515
6440.10 Accounting Fees Admin	3,750	7,750	7,750	(4,000)
6445.30 Legal Fees Admin	19,551	0	0	19,551
6445.31 B&D Legal Fees	3,243	0	0	3,243
6445.32 B&D Expenses	2,400	3,700	3,700	(1,300)
6445.33 B&D Pride Clean Up	653	0	0	653
6450.10 Fleet One-Mayor	4,299	1,750	1,750	2,549
6450.11 - Fleet One City Admin	63	1,750	1,750	(1,687)
6450.20 Fleet One-Police	10,513	10,000	10,000	513
6450.30 Fleet One-Road	1,050	1,500	1,500	(450)
6450.40 Fire Dept	3,898	3,000	3,000	898
6450.50 Fleet One-Parks & Rec	2,396	2,600	2,600	(204)
6560.10 Bank Charges	293	0	0	293
6660.00 Expenses on bldgs	100	0	0	100
6660.10 Supplies & Equip-Admin	15,173	61,830	76,461	(61,288)
6660.20 Supplies-Police	9,845	13,504	13,504	(3,659)
6660.21 Police vehicle lease	(798)	0	0	(798)
6660.30 Supplies-Road	20,977	9,647	9,647	11,330
6660.31 Road Dept Vehicle lease	441	0	0	441
6660.40 Supplies-Fire	0	5,000	5,000	(5,000)
6660.41 Fire Equip Lease	6,301	0	0	6,301
6660.50 Supplies-Parks & Rec	1,514	5,150	5,150	(3,636)
6660.80 Supplies-Pool	9,106	21,500	21,500	(12,394)
6661.10 Pool Property Loan	7,524	0	0	7,524

	Acutal	Original	Final	\$ Over Budget
6661.11 Renovation Loan	4,996	0	0	4,996
6661.12 - Restaurant Renovation	518	0	0	518
6700.10 Council Member Pay	3,600	3,600	3,600	0
6710.10 Health Ins-Admin	47,338	0	0	47,338
6710.11 Health Ins. deductibles	14,058	0	0	14,058
6710.20 Health Ins-Police	13,923	0	0	13,923
6716.10 Dental Ins-Admin	1,507	0	0	1,507
6716.20 Dental Ins-Polcie	439	0	0	439
6719.10 Property Insurance	12,000	0	0	12,000
6720.10 General Liab Ins.	88,776	0	0	88,776
6724.10 Workers Comp-Admin	18,000	0	0	18,000
6740.10 Bond-Admin	776	0	0	776
6740.20 Bond-Police	204	0	0	204
6750.10 Tax Roll Prep Fee-Admin	2,337	0	0	2,337
6770.10 City Hall Loan Pay.	3,743	0	0	3,743
6771.31 - Main/repair Equip RD	352	0	0	352
6785.10 Registration Fee-Admin	500	0	0	500
6785.40 - Registration Fee Fire	750	0	0	750
6796.10 - Training Exp Admin	180	0	0	180
6796.20 Training Exp-Police	642	0	0	642
6796.40 Training Exp.-Fire	1,500	0	0	1,500
6800.10 Postage	503	0	0	503
6810.10 Misc. Exp	676	1,696	1,696	(1,020)
6810.20 Misc Exp-Police	3,624	0	0	3,624
6810.30 Misc Exp-Road	901	0	0	901
6810.50 Misc Exp-Parks & Rec	250	5,000	5,000	(4,750)
6836.00 Child Support Withheld	3,572	0	0	3,572
6837.10 Jenkins Festival	2,775	0	0	2,775
6840.10 Telephone	5,448	5,000	5,000	448
6840.40 Telephone-Fire	1,765	1,000	1,000	765
6840.60 Telephone-Museum	614	0	0	614
6840.80 Telephone-City Pool	1,549	1,000	1,000	549
6841.10 Cell Phone-Admin	7,184	2,000	2,000	5,184
6841.40 Cell-Fire	161	0	0	161
6845.10 Dues & Subscriptions	3,017	0	0	3,017
6850.10 Travel-Admin	49	0	0	49
6865.10 Rental Equipment	137	0	0	137
6870.30 Reimb-Road	208	0	0	208
6877.10 Supplies	10,070	4,843	4,843	5,227
6877.20 Supplies-Police	1,292	0	0	1,292
6880.10 Office supplies	2,168	0	0	2,168
6883.00 Old High School Gym	6,070	0	0	6,070
6886.10 License/Permits	30	0	0	30
6896.10 Computer Programmer	1,087	0	0	1,087
6896.80 Sales Tax-Pool	814	0	0	814
6898.50 Little Shepherd Drama	8,157	0	0	8,157
6900.30 Drawdown Sidewalk Loan	172	0	0	172
6902.00 Payment on Ins. Loan	2,832	0	0	2,832
6906.40 - Grant Fds Expended	236,017	0	182,821	53,196

	Actual	Original	Final	\$ Over Budget
<b>Total Expense</b>	<u>1,252,108</u>	<u>639,265</u>	<u>956,464</u>	<u>295,644</u>
<b>Net Income</b>	<u><u>(160,883)</u></u>	<u><u>281,397</u></u>	<u><u>272,974</u></u>	<u><u>(433,857)</u></u>
<b>Adjustments to conform with GAAP:</b>				
Non-budgetary inflows/outflows	129,011			
<b>Fund Balance Beginning</b>	<u>105,646</u>			
<b>Fund Balance Ending</b>	<u><u>\$ 73,774</u></u>			

Welch & Company, CPAs, PSC  
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Nicholasville, Kentucky 40356

Independent Auditor's Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards

The Mayor and City Council  
City of Jenkins  
Jenkins, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jenkins, as of and for the year ended June 30, 2018, 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 November 10, 2018.

**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. However, the deficiency described in Finding 2018-1 is considered to be a *significant deficiency*. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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.

**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

November 10, 2018

## **City of Jenkins SCHEDULE OF FINDING AND RESPONSE For the Year Ended June 30, 2018**

### **Finding 2018-1**

**Neither those charged with governance nor the individual who performs the accounting functions have the education or training so that they may prepare financial statements in accordance with generally accepted accounting principles.**

**Criteria:** In order for those charged with governance and Management to make financial decisions affecting the organization, accurate and timely financial statements need to be available.

**Cause:** Management and the individual who performs the accounting functions have not received an accounting education or training in preparation of financial statements in accordance with generally accepted accounting principles.

**Effect:** The financial statements that those charged with governance and management receive are not prepared in accordance with generally accepted accounting principles.

**Recommendation:** No recommendation is made.

**Management Response:** City of Jenkins is a small organization and as such does not have the resources to hire a CPA. The operating budget is small and until the economy begins to improve and more income is generated, they are limited in their selection. The bookkeeper has received some limited software and accounting training for regular and routine transactions. If unusual or difficult to record transactions are encountered, advice from a CPA is sought.