
City of Jenkins, Kentucky

Audited Financial Statements

June 30, 2014

CITY OF JENKINS

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Year Ended June 30, 2014

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

INDEPENDENT AUDITOR'S REPORT

To the 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 City of Jenkins, Kentucky, as of and for the year ended June 30, 2014, 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 of Jenkins, Kentucky, as of June 30, 2014, 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 pages 24-27 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.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC
Nicholasville, Kentucky
December 18, 2014

City of Jenkins
Statement of Net Assets
June 30 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 148,953	\$ 156,990	\$ 305,943
Restricted cash	0	190,900	190,900
Accounts receivable, net	19,084	113,702	132,786
Total current assets	168,037	461,592	629,629
Noncurrent Assets:			
Capital assets (net)	3,019,648	12,221,010	15,240,658
Total Assets	3,187,685	12,682,602	15,870,287
LIABILITIES			
Current Liabilities:			
Accounts payable	14,021	5,677	19,698
Payroll related liabilities	14,998	22,919	37,917
Notes payable	48,139	380,890	429,029
Total current liabilities	77,158	409,486	486,644
Noncurrent Liabilities:			
Notes payable	733,498	867,000	1,600,498
Water deposits	0	57,606	57,606
Total noncurrent liabilities	733,498	924,606	1,658,104
Total Liabilities	810,656	1,334,092	2,144,748
NET ASSETS			
Invested in capital assets, net of related debt	2,238,011	10,973,120	13,211,131
Restricted	0	190,900	190,900
Unrestricted	139,018	184,490	323,508
Total Net Assets	\$ 2,377,029	\$ 11,348,510	\$ 13,725,539

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental Activities:					
General government	634,860	0	0	0	(634,860)
Depreciation	44,021	0	0	0	(44,021)
Interest	4,946	0	0	0	(4,946)
Public safety	226,568	0	0	0	(226,568)
Depreciation	40,459	0	0	0	(40,459)
Interest	16,682	0	0	0	(16,682)
Transportation					
Streets	67,501	0	0	0	(67,501)
Cultural and recreation	180,800	0	0	0	(180,800)
Depreciation	24,193	0	0	0	(24,193)
Interest	9,372	0	0	0	(9,372)
Community development	10,094	0	0	0	(10,094)
Total governmental activities	1,259,496	0	0	0	(1,259,496)
Business-type activities:					
Water	776,214	466,163	0	2,088,932	1,778,881
Sewer	395,761	325,780	0	0	(69,981)
Solid waste	259,640	201,557	0	0	(58,083)
Total business-type activities	1,431,615	993,500	0	2,088,932	1,650,817
Total	2,691,111	993,500	0	2,088,932	391,321

Changes In Net Assets:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,259,496)	\$ 1,650,817	\$ 391,321
General revenues:			
Taxes:			
Property	190,663	0	190,663
Payroll	167,186	0	167,186
Franchise and public service	177,921	0	177,921
Insurance	112,080	0	112,080
License and permits	671	0	671
Intergovernmental	267,884	0	267,884
Investment income	405	270	675
Miscellaneous	124,784	0	124,784
Transfers	68,508	(68,508)	0
Total general revenues and transfers	1,110,102	(68,238)	1,041,864
Change in net assets	(149,394)	1,582,579	1,433,185
Net assets-beginning	2,526,423	9,765,931	12,292,354
Net assets-ending	\$ 2,377,029	\$ 11,348,510	\$ 13,725,539

See accompanying notes to the basic financial statements.

City of Jenkins
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Assets				
Cash and cash equivalents	\$ 113,957	\$ 20,904	\$ 14,092	\$ 148,953
Investments	0	0	0	0
Receivables, net	19,084	0	0	19,084
Total assets	\$ 133,041	\$ 20,904	\$ 14,092	\$ 168,037
Liabilities and Fund Balances				
Liabilities:				
Payroll liabilities	\$ 2,703	\$ -	\$ -	\$ 2,703
Accounts payable	14,021	0	0	14,021
Total Liabilities	16,724	0	0	16,724
Fund balances:				
Reserved for:				
Assigned	0	20,904	14,092	34,996
Unassigned	116,317	0	0	116,317
Total fund balances	116,317	20,904	14,092	151,313
Total liabilities and fund balances	\$ 133,041	\$ 20,904	\$ 14,092	

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Payroll related liabilities-Compensated absences	(12,295)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(781,637)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 657,468	3,019,648

Net assets of governmental activities	<u>\$ 2,377,029</u>
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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, 2014

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Revenues				
Property taxes	\$ 190,663	\$ -	\$ -	\$ 190,663
Payroll taxes	167,186	0	0	167,186
Franchise taxes	177,921	0	0	177,921
Insurance tax	112,080	0	0	112,080
Fees and fines	519	0	0	519
Licenses and permits	152	0	0	152
Intergovernmental	107,749	53,477	106,658	267,884
Proceeds from financing	104,501	0	0	104,501
Investment earnings	299	27	79	405
Miscellaneous	124,784	0	0	124,784
Total revenues	985,854	53,504	106,737	1,146,095
Expenditures				
Current:				
General government	402,923	6,656	250,512	660,091
Police	208,985	0	0	208,985
Road	0	67,501	0	67,501
Fire	41,360	0	0	41,360
Parks and recreation	206,735	0	0	206,735
Depot	17,894	0	0	17,894
Community development	10,094	0	0	10,094
Debt service:				
Principal	17,401	0	0	17,401
Interest and other charges	31,000	0	0	31,000
Capital outlay	462,816	0	0	462,816
Total expenditures	1,399,208	74,157	250,512	1,723,877
Excess (deficiency) of revenues over expenditures	(413,354)	(20,653)	(143,775)	(577,782)
Other Financing Sources (Uses)				
Transfers in	68,508	0	0	68,508
Transfers out	0	0	0	0
Grants	0	0	0	0
Total other financing sources and uses	68,508	0	0	68,508
Net Change in Fund Balances	(344,846)	(20,653)	(143,775)	(509,274)
Fund Balances-beginning	461,163	41,557	157,867	660,587
Fund Balances-Ending	\$ 116,317	\$ 20,904	\$ 14,092	\$ 151,313

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, 2014

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	\$ (509,274)
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Amounts reported for governmental activities in the Statement of Activities are
different because:

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

Payments on long term debt	48,401
Other expenses	(42,664)
Capital asset purchases capitalized	462,816
Depreciation expense	(108,673)
	359,880

Change in Net Assets of Governmental Activities	\$ (149,394)
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See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Net Assets
Proprietary Funds
June 30, 2014

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 35,088	\$ 106,317	\$ 15,585	\$ 156,990
Investments	0	0	0	-
Restricted cash	190,900	0	0	190,900
Receivables, net	57,195	41,175	15,332	113,702
Other current assets	0	0	0	-
Total current assets	283,183	147,492	30,917	461,592
Noncurrent assets:				
Capital assets:				
Land and improvements	100,000	110,500	0	210,500
Distribution and collection systems	12,174,681	7,070,868	0	19,245,549
Buildings and equipment	7,037	149,386	240,870	397,293
Less accumulated depreciation	(3,263,618)	(4,189,476)	(179,238)	(7,632,332)
Total noncurrent assets	9,018,100	3,141,278	61,632	12,221,010
Total assets	9,301,283	3,288,770	92,549	12,682,602
Liabilities				
Current liabilities				
Accounts payable	3,866	0	1,811	5,677
Accrued compensated leave	11,381	8,336	3,202	22,919
Bonds, notes, and loans payable	13,500	367,390	0	380,890
Total current liabilities	28,747	375,726	5,013	409,486
Noncurrent liabilities:				
Water deposits	57,606	0	0	57,606
Bonds, notes, and loans payable	867,000	0	0	867,000
Total noncurrent liabilities	924,606	0	0	924,606
Total liabilities	953,353	375,726	5,013	1,334,092
Net Assets				
Invested in capital assets, net of related debt	8,137,600	2,773,888	61,632	10,973,120
Restricted for debt service(nonexpendable)	190,900	0	0	190,900
Unrestricted	19,430	139,156	25,904	184,490
Total net assets	\$ 8,347,930	\$ 2,913,044	\$ 87,536	\$ 11,348,510

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, 2014

	Enterprise Funds			Totals
	Water	Sewer	Solid Waste	
Operating revenues:				
Charges for services	\$ 466,163	\$ 325,780	\$ 201,557	\$ 993,500
Miscellaneous	0	0	0	0
Total operating revenues	466,163	325,780	201,557	993,500
Operating expenses:				
Cost of goods sold	118,761	60,698	63,655	243,114
Personal services	247,076	116,202	140,461	503,739
Materials and supplies	58,064	12,302	7,457	77,823
Other services and charges	46,580	32,245	30,618	109,443
Depreciation	282,420	174,314	17,449	474,183
Total operating expenses	752,901	395,761	259,640	1,408,302
Net operating income	(286,738)	(69,981)	(58,083)	(414,802)
Nonoperating revenue (expense):				
Investment income	86	120	64	270
Interest expense	(23,313)	0	0	(23,313)
Grant and Intergovernmental	2,088,932	0	0	2,088,932
Total nonoperating revenue (expense)	2,065,705	120	64	2,065,889
Net Income before contributions and transfers	1,778,967	(69,861)	(58,019)	1,651,087
Capital contributions	0	0	0	0
Operating transfers in (out)	(89,820)	(50,790)	72,102	(68,508)
Net income	1,689,147	(120,651)	14,083	1,582,579
Net assets-beginning of year	6,658,783	3,033,695	73,453	9,765,931
Net assets-end of year	\$ 8,347,930	\$ 2,913,044	\$ 87,536	\$ 11,348,510

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 450,586	\$ 319,178	\$ 207,687	\$ 977,451
Payments to suppliers	(185,533)	(76,020)	(92,959)	(354,512)
Payments to employees	(183,213)	(82,938)	(98,570)	(364,721)
Other	(106,612)	(64,173)	(56,005)	(226,790)
Net cash provided (used) by operating activities	(24,772)	96,047	(39,847)	31,428
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	(89,820)	(50,790)	72,102	(68,508)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant receipts	2,088,932	0	0	2,088,932
Loan proceeds	0	367,390	0	367,390
Water deposits	3,706	0	0	3,706
Fixed asset additions	(1,810,987)	(477,717)	0	(2,288,704)
Principal paid on capital debt	(7,500)	0	0	(7,500)
Interest paid on capital debt	(23,313)	0	0	(23,313)
Net cash provided (used) by capital and related financing activities	250,838	(110,327)	0	140,511
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	86	120	64	270
Net increase (decrease) in cash and cash equivalents	136,332	(64,950)	32,319	103,701
Balances-beginning of year	89,656	171,267	(16,734)	244,189
Balances-end of year	\$ 225,988	\$ 106,317	\$ 15,585	\$ 347,890
Cash, including time deposits	35,088	106,317	15,585	156,990
Restricted cash, including time deposits	190,900	0	0	190,900
Total cash and cash equivalents, end of year	\$ 225,988	\$ 106,317	\$ 15,585	\$ 347,890
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (286,738)	\$ (69,981)	\$ (58,083)	\$ (414,802)
Adjustments:				
Depreciation expense	282,420	174,314	17,449	474,183
Change in assets and liabilities:				
Change in accounts receivable	(15,577)	(6,602)	6,130	(16,049)
Change in accounts payable	(7,703)	(3,020)	(4,656)	(15,379)
Change in compensated leave	2,826	1,336	(687)	3,475
Net cash provided (used) by operating activities	\$ (24,772)	\$ 96,047	\$ (39,847)	\$ 31,428

See accompanying notes to the basic financial statements.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

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. FINANCIAL REPORTING ENTITY

The City's financial reporting entity comprises the following:

Primary Government:	City of Jenkins, Kentucky
Enterprise Funds:	Jenkins Water Fund Jenkins Sewer Fund Jenkins Solid Waste

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Jenkins Water	Created to finance, develop, and operate the water activities. The current City Council serves as entire governing body. Any issuances of debt would require the approval of the City Council.	Enterprise Fund
Jenkins Sewer	Created to finance, develop, and operate the sewer activities. The current City Council serves as entire governing body. Any issuances of debt would require the approval of the City Council.	Enterprise Fund
Jenkins Solid Waste	Created to finance, develop, and operate the Collection of solid waste activities. The current City Council serves as entire governing body. Any issuances of debt would require the approval of the City Council.	Enterprise Fund

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Government Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Municipal Road Aid

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.

L.G.E.A. Fund

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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

Proprietary Fund

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Jenkins Water and Sewer Enterprise Funds and the Jenkins Solid Waste Enterprise Fund.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major:	
General	See above for description
Special Revenue	Accounts for revenues and expenditures of funds allocated for street improvements (Municipal Road Aid).

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1.D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of 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 the course of 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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

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.

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

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

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 principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Compensated Leave

The City grants all full time employees vacation based on years of service. After one year the employee earns two weeks vacation, after ten years three weeks, after fifteen years eighteen days. Each full time employee on January 1st earns 48 hours of sick leave.

Equity Classifications

Government-wide Statements

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

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."

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

Fund Statements

Proprietary fund equity is classified the same as in the government-wide statements, as of June 30, 2014 the proprietary funds had restricted Net Assets of \$78,768 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.E. 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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

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

1.F. 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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

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, 2014. 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, 2014 the City's deposits (\$496,843) 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	\$ 19,084	\$ 228,508	\$ 247,592
Allowance for doubtful accounts	<u>0</u>	<u>(114,806)</u>	<u>(114,806)</u>
Net Accounts Receivable	<u>\$ 19,084</u>	<u>\$ 113,702</u>	<u>\$ 132,786</u>

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Additions	Disposals	Balance At June 30, 2014
<u>Governmental activities:</u>				
General	\$ 3,162,056	\$ 515,060	\$ 0	\$ 3,677,116
Less accumulated depreciation	(548,795)	(108,673)	0	(657,468)
Net	<u>\$ 2,613,261</u>	<u>\$ 406,387</u>	<u>\$ 0</u>	<u>\$ 3,019,648</u>
 <u>Business-type activities</u>				
Land and improvements	\$ 3,936,799	\$ 10,500	\$ 0	\$ 3,947,299
Distribution and collection system	13,238,426	2,270,324	0	15,508,750
Buildings and equipment	389,413	7,880	0	397,293
Total	17,564,638	2,288,704	0	19,853,342
Less accumulated depreciation	(7,158,149)	(474,183)	0	(7,632,332)
Net	<u>\$ 10,406,489</u>	<u>\$ 1,814,521</u>	<u>\$ 0</u>	<u>\$ 12,221,010</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

There were no related party transactions.

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	\$(344,846)
L.G.E.A.	\$(143,775)
Road Aid	\$(20,653)
Water	\$(286,420)
Sewer	\$(69,981)
Solid Waste	\$(58,083)

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

NOTE 8. LONG-TERM DEBT

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
<u>Governmental Funds</u>					
Kentucky League of Cities:					
City Hall	\$ 117,300	\$	\$ 4,730	\$ 112,570	\$ 4,751
First State Bank Leasing					
Fire Truck	223,762		10,867	212,895	10,867
1992 ladder truck	0	30,073	0	30,073	5,343
Kansas State Bank					
Snow plow	0	37,142	3,306	33,836	6,840
Police cruiser/Tahoe	52,188	0	10,758	41,430	10,338
Bond Issue 2012-C	172,916	0	5,000	167,916	5,000
Bond Issue 2013-A	188,182	0	5,265	182,917	5,000
Total	\$ 754,348	\$ 67,215	\$ 39,926	\$ 781,637	\$ 48,139

Debt Service for the Years Ended June 30,

	Principal	Interest	Total
2015	\$ 48,139	\$ 32,395	\$ 80,534
2016	52,340	30,079	82,419
2017	57,497	27,598	85,095
2018	59,935	24,932	84,867
2019	51,436	22,459	73,895
2020-24	219,711	82,886	302,597
2025-29	202,431	32,974	235,405
2030-34	87,231	7,113	94,344
2035	2,917	95	3,012
Totals	\$ 781,637	\$ 260,531	\$ 1,042,168

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
<u>Proprietary Funds</u>					
KIA	\$ 0	77,444	0	77,444	77,444
USDA RD 91-01	443,000	0	7,500	435,500	7,500
USDA RD 91-09	445,000	0	0	445,000	6,000
USDA RD R-1	0	289,946	0	289,946	289,946
Totals	\$ 888,000	\$ 367,390	\$ 7,500	\$ 1,247,890	\$ 380,890

Debt Service for the Years Ended June 30,

	Principal	Interest	Total
✓ 2015	\$ 380,890	\$ 22,949	\$ 403,839
✓ 2016	14,000	22,590	36,590
✓ 2017	14,500	22,218	36,718
✓ 2018	14,500	21,839	36,339
✓ 2019	15,500	21,448	36,948
2020-24	83,500	100,902	184,402
2025-29	95,000	89,229	184,229
2030-34	110,500	75,792	186,292
2035-39	127,500	60,230	187,730
2040-44	146,500	42,315	188,815
2045-49	169,500	21,617	191,117
2050-52	76,000	2,603	78,603
Totals	\$ 1,247,890	\$ 503,732	\$ 1,751,622

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 6.88%, payable semiannually at \$12,030 per payment or \$24,060 per year.

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

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

1992 Ladder Truck: Financed with local bank at approximately 6%, payable in five annual payments of \$7,124 each beginning on June 30, 2015.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

Bond Issue 2013-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 2014-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.

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 2014.

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 2015.

The USDA-RD R-1: 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, 2014 and additional drawdowns between July 1, 2014 and October 6, 2014 were converted to permanent financing of \$597,000 as of October 6, 2014. The first principal payment will be due January 1, 2016, interest will be paid semi-annually in January and July.

Kentucky Infrastructure Authority (KIA): loan is initially calculated at an annual interest rate of 0.75% with monthly payments of approximately \$2,020 amortized over 20 years. The loan is for \$500,000 with KIA forgiving \$50,000 (10%). As of June 30, 2014 \$86,048.65 had been drawn down and \$8,605.00 (10%) forgiven. When all the drawdowns have been completed and the forgiveness of \$50,000 the City will then enter into a loan of \$450,000.

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.

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 2014 will be established at a future date.

NOTE 11. RETIREMENT BENEFITS

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

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2014

NOTE 12. EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 18, 2014, the date which the financial statements were available to be issued. The evaluation has disclosed the following events:

July 2014

The City has entered into a loan agreement with the Kentucky Infrastructure Authority (KIA) to borrow \$2,400,000 for construction of water/sewer utility lines. The loan will be for twenty years with an interest rate of approximately 0.75% per year. KIA will forgive \$1,200,000 of the loan as drawdowns are made. When the drawdowns are complete the City will then enter into the permanent financing.

July 7, 2014

Council voted for the Mayor to proceed with financing plans for an Event Center of approximately 8,000 square feet.

December 4, 2014

Council voted to approve new drawings for the Event Center and to approve the architects' invoice.

City of Jenkins
Budgetary Comparison Schedule
Governmental Funds
Year Ended June 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Budgeted Surplus	\$ 160,000	160,000		
Income				
4110.00 · Tower Rent			4,437	4,437
4111.00 · City Taxes	166,000	166,000	122,128	(43,872)
4111.01 · Bank Tax	7,200	7,200	6,950	(250)
4111.02 · Payroll Tax Income	170,000	170,000	167,186	(2,814)
4112.00 · Occupational License	13,500	13,500	11,406	(2,094)
4114.00 · Telecommunications Tax	35,000	35,000	31,502	(3,498)
4114.01 · AEP Power Franchise	81,000	81,000	146,419	65,419
4116.00 · Base Ct Revenue	10,500	10,500	7,465	(3,035)
4117.00 · Ad Val Tax	42,000	42,000	45,291	3,291
4117.01 · Motor vehicle /watercraft	2,500	2,500	2,752	252
4117.02 · Omitted Tang			851	851
4119.00 · Delinquent Tax	24,000	24,000	9,484	(14,516)
4124.30 · Municipal Aid	60,000	60,000	53,477	(6,523)
4126.00 · Vehicle Stickers	12,000	12,000	152	(11,848)
4127.00 · Court Fines/Cita /Summons	3,000	3,000	519	(2,481)
4128.00 · Insurance Tax	103,231	103,231	112,080	8,849
4131.00 · LGEA Coal Sev Inc	60,000	60,000	47,315	(12,685)
4131.01 · Municipal Mineral Tax	68,000	68,000	59,343	(8,657)
4133.00 · Grants or Donations			18,638	18,638
4133.01 · Drdowns loan construction c ct			88,501	88,501
4134.00 · Public Service Tax	8,000	8,000	73,900	65,900
4150.20 · Police Incentive	6,000	6,000	7,746	1,746
4160.10 · Misc Admin	1,000	1,000	(589)	(1,589)
4160.20 · Misc Police Inc			101	101
4161.00 · B & D Income	11,250	11,250	418	(10,832)
4162.00 · Health Reimburs Transfer Income			18,000	18,000
4169.00 · Building Rental	25,050	25,050	20,197	(4,853)
4172.00 · Parks and Recreation	1,600	1,600	205	(1,395)
4172.80 · Pool Admissions			22,612	22,612
4172.81 · Pool Concessions/Pizza income			27,751	27,751
4173.20 · D.A.R.E	1,569	1,569	0	(1,569)
4180.10 · Reim Admin/Revenue Fund			5,529	5,529
4180.20 · Reimbursements police			10	10
4180.30 · Reimbursements Road			377	377
4310.10 · Interest Income-Admin	1,500	1,500	34	(1,466)
4310.11 · Interest B& D Act			26	26
4310.20 · Interest Income Police			0	0
4310.30 · Interest Income Road	200	200	27	(173)
4310.50 · Interest Income Parks and Rec			134	134
4310.70 · Interest Income Downtown Ren			13	13

City of Jenkins
Budgetary Comparison Schedule
Governmental Funds
Year Ended June 30, 2014

	Original	Final	Amounts	Positive (Negative)
4310.80 · Interest Income Economic Aid	500	500	79	(421)
4310.90 · Interest Income Revenue Fund			92	92
Total Income	1,074,600	1,074,600	1,112,553	197,953
Expense				
6109.10 · non -employee contract labor			38,425	(38,425)
6109.11 · Refunds			118	(118)
6110.00 · Payroll Exp				0
6110.10 · Payroll Expense Admin	165,221	165,221	151,368	13,853
6110.20 · Payroll Expense Police	111,909	111,909	116,037	(4,128)
6110.30 · Payroll Expense Road	27,300	27,300	26,987	313
6110.60 · Payroll Expense Depot	13,561	13,561	14,427	(866)
6110.00 · Payroll Exp - Other			1,990	(1,990)
6110.70 · Payroll Exp LGEA			55,762	(55,762)
6110.80 · Payroll Exp Pool			61,274	(61,274)
6120.00 · Payroll Tax Expense				0
6120.10 · Payroll Tax Expense Admin	11,500	11,500	0	11,500
6120.20 · Payroll Tax Expense Police	10,000	10,000	0	10,000
6120.30 · Payroll Tax Expense Road	2,000	2,000	0	2,000
6120.60 · Payroll Tax Expense Museum	1,500	1,500	0	1,500
6120.00 · Payroll Tax Expense - Other			33,026	(33,026)
6122.00 · City 401K Exp			2,260	(2,260)
6185.10 · AEP Street Lights Admin	32,000	32,000	33,592	(1,592)
6190.10 · AEP Expense Admin	12,000	12,000	16,125	(4,125)
6190.11 · AEP EXP RENTAL BLDG			1,202	(1,202)
6190.40 · AEP Expense Fire Dept	11,000	11,000	10,367	633
6190.50 · AEP Exp Parks and Rec	7,000	7,000	9,325	(2,325)
6190.60 · AEP Expense Museum	2,500	2,500	2,896	(396)
6190.80 · AEP Pool Area			8,380	(8,380)
6200.10 · AEP Outdoor Lights	3,500	3,500	3,547	(47)
6400.10 · Advertisement Exp Admin	2,500	2,500	1,764	736
6420.00 · Architectural Exp			5,700	(5,700)
6440.10 · Accounting Fees Admin Exp	10,000	10,000	7,500	2,500
6445.10 · City Attn Retainer	12,000	12,000	1,000	11,000
6445.30 · Legal Fees Admin	20,000	20,000	15,082	4,918
6450.10 · Fleet One Mayor Exp	6,000	6,000	5,779	221
6450.20 · Fleet One Police Dept	20,000	20,000	21,099	(1,099)
6450.30 · Fleet One Road	4,000	4,000	3,808	192
6450.40 · Fleet One Fire Dept	6,000	6,000	6,862	(862)
6560.10 · Bank Service Charges			120	(120)
6600.10 · Mayor Expense Admin			8,618	(8,618)
6660.00 · Expenses on buildings	25,050	25,050	27,231	(2,181)
6660.10 · Supplies and Equip Admin	232,977	232,977	19,825	213,152
6660.20 · Supplies and Equip Police	19,000	19,000	26,325	(7,325)
6660.21 · Police Vehicles Lease Pmt	12,100	12,100	12,749	(649)
6660.30 · Supplies and Equip Road	30,000	30,000	5,977	24,023

City of Jenkins
Budgetary Comparison Schedule
Governmental Funds
Year Ended June 30, 2014

	Original	Final	Amounts	Positive (Negative)
6660.31 · Rd Dept Vehicle Lease			3,510	(3,510)
6660.40 · Supplies and Equipment Fire	3,260	3,260	2,105	1,155
6660.41 · Fire Equip Lease Purchase	24,350	24,350	25,091	(741)
6660.50 · Supplies/ Park & Rec			7,987	(7,987)
6660.51 · Special Projects Swimming Pool			157,370	(157,370)
6660.80 · Pool Expenses			70,370	(70,370)
6661.10 · Pool Property Loan Purchase	10,340	10,340	10,338	2
6661.11 · Pool Building Loan Renovation	11,388	11,388	8,016	3,372
6661.12 · Restaurant Renovation Exp			195,246	(195,246)
6700.10 · Council Member Pay Admin	1,800	1,800	1,800	0
6710.10 · Health Ins Expense Admin	31,000	31,000	38,146	(7,146)
6710.11 · Health Ins Deductables	17,100	17,100	49,177	(32,077)
6710.20 · HEALTH INS POLICE DEPT	17,500	17,500	14,282	3,218
6710.30 · health Ins Road	6,300	6,300	3,567	2,733
6716.10 · Dental Ins Admin	1,200	1,200	1,785	(585)
6716.20 · Dental Expense Police	1,065	1,065	653	412
6720.10 · Gen/Liab Insurance	18,329	18,329	63,908	(45,579)
6724.10 · Work/comp Ins Admin	900	900	0	900
6724.20 · Workers comp Police	6,000	6,000	0	6,000
6724.30 · Work/Comp Ins Road	2,200	2,200	0	2,200
6740.10 · Bond Ins Admin	1,000	1,000	1,285	(285)
6740.20 · Bond Ins Police			102	(102)
6741.21 · Auto Insur Police	8,000	8,000	0	8,000
6741.30 · Auto Ins Road	6,700	6,700	0	6,700
6741.40 · Auto Ins Fire Dept	13,300	13,300	0	13,300
6750.10 · Tax Roll Prep Fee Admin			2,615	(2,615)
6770.10 · Loan Pmt New City Hall	7,200	7,200	7,447	(247)
6770.20 · Main/Repair Police			504	(504)
6770.30 · Repairs RD Streets/Sidewalks	5,000	5,000	0	5,000
6770.31 · Streets /Lgea Fds	17,850	17,850	0	17,850
6771.31 · Main/Repair Euip RD			113	(113)
6784.10 · Main/Repair Rental Bldg			585	(585)
6795.10 · Milage Reimbursements Admin			935	(935)
6796.10 · Training Exp Admin			500	(500)
6796.20 · Training Exp Police	4,000	4,000	1,853	2,147
6796.40 · Training Expense Fire	2,000	2,000	2,308	(308)
6796.61 · City Pool Training Exp			300	(300)
6803.00 · Pride grt exp			56	(56)
6810.00 · Sponserships & donations			550	(550)
6810.10 · Misc Exp Admin			5,632	(5,632)
6810.11 · Wings Contact			2,665	(2,665)
6810.20 · Misc Expense Police			648	(648)
6810.50 · Misc Parks and Rec	20,600	20,600	0	20,600
6837.10 · Jen Festival Expense	5,000	5,000	10,094	(5,094)
6840.10 · Telephone Admin	3,000	3,000	8,006	(5,006)
6840.40 · Telephone Fire	550	550	879	(329)

City of Jenkins
Budgetary Comparison Schedule
Governmental Funds
Year Ended June 30, 2014

	Original	Final	Amounts	Positive (Negative)
6840.60 · Telephone Museum	400	400	571	(171)
6840.80 · Phone Exp Pool			1,342	(1,342)
6841.10 · Telephone Cell Admin	3,500	3,500	5,290	(1,790)
6841.11 · TELEPHONE CELL RD	850	850	1,608	(758)
6841.20 · Telephone Cell Police	2,000	2,000	2,905	(905)
6841.40 · Telephone Cell Fire	300	300	400	(100)
6842.10 · Internet Exp			32	(32)
6845.10 · DUES & SUBSCRIPTIONS			3,867	(3,867)
6850.10 · Travel Expense City Admin	10,000	10,000	454	9,546
6860.10 · KRADD Admin			1,696	(1,696)
6865.10 · Rental Equipment Admin			791	(791)
6870.00 · Grt Funds Reimbursement			10,583	(10,583)
6870.10 · Reimbursements Admin			415	(415)
6870.20 · Reimbursement Police			64	(64)
6877.10 · Supplies Admin			6,949	(6,949)
6877.20 · Supplies Police			2,493	(2,493)
6877.30 · Supplies Road			28,747	(28,747)
6877.80 · Supplies Pizza Concessions			6,932	(6,932)
6880.10 · Office Supplies Admin			154	(154)
6886.10 · Lic/Permit/bonds/ Tags/Deeds			137	(137)
6887.10 · Service Agreement Admin			710	(710)
6896.80 · Sales & Use Tax Pool			202	(202)
6897.90 · Channell 99 EXP			56,773	(56,773)
6898.50 · Little Shpherd Drama			7,483	(7,483)
 Total Expense	 1,074,600	 1,074,600	 1,597,574	 (522,974)
 Net Income (loss)	 \$ 0	 0	 (485,021)	 (325,021)
Adjustments to conform with GAAP:				
Non-budgetary receipts			102,050	
Non-budgetary outflows			<u>(126,303)</u>	
Net Change-GAAP			(509,274)	
Fund Balance Beginning			<u>660,587</u>	
Fund Balance Ending			<u>\$ 151,313</u>	

City of Jenkins, Kentucky

Single Audit Section

Year Ended June 30, 2014

Welch & Company, CPAs, PSC

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Jenkins, Kentucky as of and for the year ended June 30, 2014, and have issued our report thereon dated December 18, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC
Nicholasville, Kentucky
December 18, 2014

City of Jenkins
Schedule Of Expenditures Of Federal Awards
For The Year Ended June 30, 2014

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
Department of the Interior:	15.252	KY-S09AP1537	\$2183,796
Abandoned Mine Lands Reclamation (AMLR) Program			
United States Department of Agriculture-Rural			
Development:	66.458	Water Phase III	\$289,946
Total Expenditures of Federal Awards			<div style="border: 1px solid black; padding: 5px; display: inline-block;">\$2,473,742</div>

See Accompanying notes to schedule of expenditures of federal awards.

City of Jenkins
Notes To The Schedule Of Expenditures Of Federal Awards
For The Year Ended June 30, 2014

Note 1-Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Jenkins and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

City of Jenkins
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2014

Summary of Audit Results:

1. The auditor's report expresses an unqualified opinion of the basic financial statements of the City of Jenkins.
2. No instances of noncompliance material to the basic financial statements of the City of Jenkins were disclosed during the audit.
3. No instances of significant deficiencies were disclosed during the audit of the major federal award programs.
4. The auditor's report on compliance for the major federal award programs for the City of Jenkins expresses an unqualified opinion.
5. The program tested as major program was:
 - i. Department of The Interior
Abandoned Mine Lands Reclamation (AMLR) Program
CFDA 15.252
6. The threshold for determining Type A programs was \$300,000 or 3% of federal awards expended. Federal programs that do not meet the Type A criteria are considered Type B programs.
7. The City of Jenkins was determined to be a low-risk auditee

Findings and Questioned Costs – Major Federal Award Program:

NONE

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**Report on Compliance With Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control Over Compliance
In Accordance with OMB Circular A-133**

The Mayor and City Council
City of Jenkins
Jenkins, Kentucky

Compliance

We have audited the compliance of the City of Jenkins, Kentucky, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2014. The City of Jenkins' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Jenkins' management. Our responsibility is to express an opinion of the City of Jenkins' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jenkins' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Jenkins' compliance with those requirements.

In our opinion, the City of Jenkins complied, in all material respects, with the requirements referred to above that are applicable to each of its major programs for the year ended June 30, 2014.

Internal Control Over Compliance

The management of the City of Jenkins is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Jenkins' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jenkins' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operations of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements to each of the City's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion of the City's compliance but not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC

December 18, 2014

Welch & Company, CPAs, PSC
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**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 the financial statements of City of Jenkins as of and for the year ended June 30, 2014, and have issued our report thereon dated December 18, 2014. 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.

Internal Control Over Financial Reporting

Management of City of Jenkins is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Jenkins's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Jenkins's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Jenkins's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, the deficiency described in Finding 2014-1 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.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Jenkins's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

City of Jenkins's response to the finding identified in our audit is described in the accompanying "Schedule of Findings and Response." We did not audit City of Jenkins's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of those individuals charged with governance, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC
December 18, 2014

City of Jenkins
SCHEDULE OF FINDING AND RESPONSE
For the Year Ended June 30, 2014

Finding 2014-1

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.

