

City of Jenkins, Kentucky

Audited Financial Statements

June 30, 2016

CITY OF JENKINS

Table of Contents

Year Ended June 30, 2016

	<u>Page(s)</u>
Independent Auditor's Report	1
Basic Financial Statements:	
Government –wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements	
Balance Sheet-Governmental Funds	4
Statement of Revenues, Expenditures, and Changes In Fund Balances-Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds to the Statement of Activities	6
Statement of Net Assets-Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets-Proprietary Funds	8
Statement of Cash Flows-Proprietary Funds	9
Notes to the Basic Financial Statements	10-23
Required Supplementary Information:	
Budgetary Comparison Schedule-General Fund	24
Single Audit Section	
Schedule of Expenditures of Federal Awards	25
Notes to The Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27
Report on Compliance with Requirements Applicable to Each Major Program and On Internal Control Over Compliance in Accordance with OMB Circular A-133	28-29
Report on Internal Control Over Financial Reporting And On Compliance Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	30-31

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, 2016, 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.

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC
Nicholasville, Kentucky
November 17, 2016

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, 2016, 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.

City of Jenkins
Statement of Net Assets
June 30 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash, including time deposits	\$ 65,156	\$ 83,209	\$ 148,365
Restricted cash	0	0	0
Accounts receivable, net	18,199	84,317	102,516
Total current assets	83,355	167,526	250,881
Noncurrent Assets:			
Capital assets (net)	2,756,988	17,369,505	20,126,493
Total Assets	2,840,343	17,537,031	20,377,374
LIABILITIES			
Current Liabilities:			
Accounts payable	16,270	11,597	27,867
Payroll related liabilities	35,884	22,919	58,803
Notes payable	68,571	1,401,217	1,469,788
Total current liabilities	120,725	1,435,733	1,556,458
Noncurrent Liabilities:			
Water deposits	0	62,405	62,405
Notes payable	625,273	1,431,027	2,056,300
Total noncurrent liabilities	625,273	1,493,432	2,118,705
Total Liabilities	745,998	2,929,165	3,675,163
NET ASSETS			
Invested in capital assets, net of related debt	2,063,144	14,537,261	16,600,405
Restricted	0	0	0
Unrestricted	31,201	70,605	101,806
Total Net Assets	\$ 2,094,345	\$ 14,607,866	\$ 16,702,211

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental Activities:					
General government	624,479	0	0	0	(624,479)
Depreciation	46,268	0	0	0	(46,268)
Interest	4,550	0	0	0	(4,550)
Public safety	170,662	0	0	0	(170,662)
Depreciation	46,863	0	0	0	(46,863)
Interest	15,127	0	0	0	(15,127)
Transportation	97,134				(97,134)
Streets-Depreciation	5,414	0	0	0	(5,414)
Streets-Interest	1,230				(1,230)
Cultural and recreation	56,964	0	0	0	(56,964)
Depreciation	32,785	0	0	0	(32,785)
Interest	9,172	0	0	0	(9,172)
Community development	30,125	0	0	0	(30,125)
Total governmental activities	1,140,773	0	0	0	(1,140,773)
Business-type activities:					
Water	899,313	478,350	0	1,023,185	602,222
Sewer	453,195	295,624	0	439,653	282,082
Solid waste	141,550	189,573	0	0	48,023
Total business-type activities	1,494,058	963,547	0	1,462,838	932,327
Total	2,634,831	963,547	0	1,462,838	(208,446)

Changes In Net Assets:

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (1,140,773)	\$ 932,327	\$ (208,446)
General revenues:			
Taxes:			
Property	183,856	0	183,856
Payroll	165,939		165,939
Franchise and public service	189,838	0	189,838
Insurance	103,780	0	103,780
License and permits	14,767	0	14,767
Intergovernmental	241,539	0	241,539
Investment income	163	70	233
Miscellaneous	82,818	0	82,818
Transfers	0	0	0
Total general revenues and transfers	982,700	70	982,770
Change in net assets	(158,073)	932,397	774,324
Net assets-beginning	2,252,418	13,675,469	15,927,887
Net assets-ending	\$ 2,094,345	\$ 14,607,866	\$ 16,702,211

See accompanying notes to the basic financial statements.

City of Jenkins
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Municipal Road Aid	L.G.E.A.	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 54,005	\$ 7,388	\$ 3,763	\$ 65,156
Investments	0	0	0	0
Receivables, net	18,199	0	0	18,199
Total assets	\$ 72,204	\$ 7,388	\$ 3,763	\$ 83,355
Liabilities and Fund Balances				
Liabilities:				
Payroll liabilities	\$ 3,054	\$ -	\$ -	\$ 3,054
Accounts payable	16,270	0	0	16,270
Total Liabilities	19,324	0	0	19,324
Fund balances:				
Reserved for:				
Assigned	0	0	0	0
Unassigned	52,880	7,388	3,763	64,031
Total fund balances	52,880	7,388	3,763	64,031
Total liabilities and fund balances	\$ 72,204	\$ 7,388	\$ 3,763	

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

Payroll related liabilities-Compensated absences	(32,830)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.	(693,844)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 788,798	2,756,988
Net assets of governmental activities	\$ 2,094,345

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, 2016

	General Fund	Municipal Road Aid	L.G.E.A.	Total Govern- mental Funds
Revenues				
Property taxes	\$ 183,856	\$ -	\$ -	\$ 183,856
Payroll taxes	165,939	0	0	165,939
Franchise taxes	189,838	0	0	189,838
Insurance tax	103,780	0	0	103,780
Licenses and permits	14,767	0	0	14,767
Intergovernmental	134,210	43,856	63,473	241,539
Proceeds from financing	130,000	0	0	130,000
Investment earnings	163	0	0	163
Miscellaneous	82,818	0	0	82,818
Total revenues	1,005,371	43,856	63,473	1,112,700
Expenditures				
Current:				
General government	542,138	0	82,341	624,479
Public Safety	170,662	0	0	170,662
Road	47,626	49,508	0	97,134
Parks and recreation	56,964	0	0	56,964
Community development	30,125	0	0	30,125
Debt service:				
Principal	155,739	0	0	155,739
Interest and other charges	30,079	0	0	30,079
Capital outlay	0	0	0	0
Total expenditures	1,033,333	49,508	82,341	1,165,182
Excess (deficiency) of revenues over expenditures	(27,962)	(5,652)	(18,868)	(52,482)
Other Financing Sources (Uses)				
Transfers in	0	0	0	0
Transfers out	0	0	0	0
Grants	0	0	0	0
Total other financing sources and uses	0	0	0	0
Net Change in Fund Balances	(27,962)	(5,652)	(18,868)	(52,482)
Fund Balances-beginning	80,842	13,040	22,631	116,513
Fund Balances-Ending	\$ 52,880	\$ 7,388	\$ 3,763	\$ 64,031

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, 2016

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 \$ (52,482)

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	155,739
Proceeds from financing	(130,000)
Capital asset purchases capitalized	0
Depreciation expense	<u>(131,330)</u>
	<u>(105,591)</u>

Change in Net Assets of Governmental Activities \$ (158,073)

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Net Assets
Proprietary Funds
June 30, 2016

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Assets				
Current assets:				
Cash and cash equivalents	\$ 48,704	\$ 34,505	\$ -	\$ 83,209
Investments	0	0	0	-
Restricted cash	0	0	0	-
Receivables, net	41,503	26,771	16,043	84,317
Other current assets	0	0	0	-
Total current assets	90,207	61,276	16,043	167,526
Noncurrent assets:				
Capital assets:				
Land and improvements	1,480,108	110,500	0	1,590,608
Distribution and collection systems	15,367,288	8,597,597	0	23,964,885
Buildings and equipment	0	149,386	278,020	427,406
Less accumulated depreciation	(3,874,205)	(4,613,095)	(126,094)	(8,613,394)
Total noncurrent assets	12,973,191	4,244,388	151,926	17,369,505
Total assets	13,063,398	4,305,664	167,969	17,537,031
Liabilities				
Current liabilities				
Accounts payable	5,069	1,863	4,665	11,597
Accrued compensated leave	11,381	8,336	3,202	22,919
Bonds, notes, and loans payable	1,379,132	10,000	12,085	1,401,217
Total current liabilities	1,395,582	20,199	19,952	1,435,733
Noncurrent liabilities:				
Water deposits	62,405	0	0	62,405
Bonds, notes, and loans payable	838,500	577,000	15,527	1,431,027
Total noncurrent liabilities	900,905	577,000	15,527	1,493,432
Total liabilities	2,296,487	597,199	35,479	2,929,165
Net Assets				
Invested in capital assets, net of related debt	10,755,559	3,657,388	124,314	14,537,261
Restricted(nonexpendable)	0	0	0	0
Unrestricted	11,352	51,077	8,176	70,605
Total net assets	\$ 10,766,911	\$ 3,708,465	\$ 132,490	\$ 14,607,866

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, 2016

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
Operating revenues:				
Charges for services	\$ 424,281	\$ 295,624	\$ 189,573	\$ 909,478
Miscellaneous	54,069	0	0	54,069
Total operating revenues	478,350	295,624	189,573	963,547
Operating expenses:				
Cost of goods sold	110,764	49,734	54,846	215,344
Personal services	223,116	136,678	41,076	400,870
Materials and supplies	16,577	2,586	10,659	29,822
Other services and charges	144,248	63,511	25,633	233,392
Depreciation	362,220	200,686	9,336	572,242
Total operating expenses	856,925	453,195	141,550	1,451,670
Net operating income	(378,575)	(157,571)	48,023	(488,123)
Nonoperating revenue (expense):				
Investment income	63	7	0	70
Interest expense	(42,388)	0	0	(42,388)
Grant and Intergovernmental	1,023,185	439,653	0	1,462,838
Total nonoperating revenue (expense)	980,860	439,660	0	1,420,520
Net Income before contributions and transfers	602,285	282,089	48,023	932,397
Insurance proceeds	0	0	0	0
Operating transfers in (out)	587,000	(587,000)	0	0
Net income	1,189,285	(304,911)	48,023	932,397
Net assets-beginning of year	9,577,626	4,013,376	84,467	13,675,469
Net assets-end of year	\$ 10,766,911	\$ 3,708,465	\$ 132,490	\$ 14,607,866

See accompanying notes to the basic financial statements.

City of Jenkins
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Enterprise Funds			
	Water	Sewer	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 479,260	\$ 299,387	\$ 184,900	\$ 963,547
Payments to suppliers	(271,589)	(115,831)	(91,138)	(478,558)
Payments to employees	(223,116)	(136,678)	(41,076)	(400,870)
Other	0	0	0	0
Net cash provided (used) by operating activities	(15,445)	46,878	52,686	84,119
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) from other funds	587,000	(587,000)	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant receipts	1,023,185	439,653	0	1,462,838
Loan proceeds	865,737	0	0	865,737
Insurance proceeds	0	0	0	0
Water deposits	2,780	0	0	2,780
Fixed asset additions	(2,358,639)	(719,532)	0	(3,078,171)
Principal paid on capital debt	(34,734)	(10,000)	(11,793)	(56,527)
Interest paid on capital debt	(42,388)	0	0	(42,388)
Net cash provided (used) by capital and related financing activities	(544,059)	(289,879)	(11,793)	(845,731)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	63	7		70
Net increase (decrease) in cash and cash equivalents	27,559	(829,994)	40,893	(761,542)
Balances-beginning of year	21,145	864,499	(40,893)	844,751
Balances-end of year	\$ 48,704	\$ 34,505	\$ -	\$ 83,209
Cash, including time deposits	48,704	34,505	0	83,209
Restricted cash, including time deposits	0	0	0	0
Total cash and cash equivalents, end of year	\$ 48,704	\$ 34,505	\$ -	\$ 83,209
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (378,575)	\$ (157,571)	\$ 48,023	\$ (488,123)
Adjustments:				
Depreciation expense	362,220	200,686	9,336	572,242
Change in assets and liabilities:				
Change in accounts receivable	910	3,763	(4,673)	0
Change in accounts payable	0	0	0	0
Change in compensated leave	0	0	0	0
Net cash provided (used) by operating activities	\$ (15,445)	\$ 46,878	\$ 52,686	\$ 84,119

See accompanying notes to the basic financial statements.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

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, 2016

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, 2016

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, 2016

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 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

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

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

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.

City of Jenkins, Kentucky
Notes To Financial Statements

June 30, 2016

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."

Fund Statements

Proprietary fund equity is classified the same as in the government-wide statements, as of June 30, 2016 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

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

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.

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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

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.

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, 2016. 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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

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, 2016, the City's deposits, \$148,365, were insured by the FDIC-Category 1 and Category 2.

Note 3. ACCOUNTS RECEIVABLE

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

	Governmental Activities	Business-Type Activities	Totals
Accounts receivable	\$ 18,199	\$ 289,995	\$ 308,194
Allowance for doubtful accounts	0	(205,678)	(205,678)
Net Accounts Receivable	\$ 18,199	\$ 84,317	\$ 102,516

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance at July 1, 2015	Additions	Disposals	Balance At June 30, 2015
<u>Governmental activities:</u>				
General	\$ 3,677,116	\$ 0	\$ 0	\$ 3,677,116
Less accumulated depreciation	(788,798)	(131,330)	0	(920,128)
Net	\$ 2,888,318	\$ (131,330)	\$ 0	\$ 2,756,988
<u>Business-type activities</u>				
Land and improvements	\$ 1,590,608	\$ 0	\$ 0	\$ 1,590,608
Distribution and collection system	20,886,714	3,078,171	0	23,964,885
Buildings and equipment	427,406	0	0	427,406
Total	22,904,728	3,078,171	0	25,982,899
Less accumulated depreciation	(8,041,152)	(572,242)	0	(8,613,394)
Net	\$ 14,863,576	\$ 2,505,929	\$ 0	\$ 17,369,505

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

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	\$	(27,962)
Municipal Road Aid	\$	(5,652)
L.G.E.A.	\$	(18,868)
Sewer	\$	(304,911)

NOTE 8. LONG-TERM DEBT

	June 30, 2015	Additions	Reductions	June 30, 2016	Current Portion
<u>Governmental Funds</u>					
Kentucky League of Cities:					
City Hall	\$ 107,996	\$	\$ 4,958	\$ 103,038	\$ 5,174
First State Bank Leasing					
Fire Truck	202,028		11,627	190,401	12,441
1992 ladder truck	24,729	0	5,660	19,069	5,995
Kansas State Bank					
Snow plow	27,553	0	7,194	20,359	7,567
Police cruiser/Tahoe	31,971	0	10,818	21,153	11,320
2016 Insurance loan	0	130,750	119,676	11,074	11,074
Bond Issue 2012-C	162,916	0	7,083	155,833	10,000
Bond Issue 2013-A	177,917	0	5,000	172,917	5,000
Total	\$ 735,110	\$ 130,750	\$ 172,016	\$ 693,844	\$ 68,571

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

Debt Service for the Years Ended June 30,

	Principal	Interest	Total
2017	\$ 68,571	\$ 27,598	\$ 96,169
2018	59,935	24,932	84,867
2019	51,436	22,459	73,895
2020	41,120	20,328	61,448
2021	42,442	18,568	61,010
2022-25	235,263	62,302	297,565
2026-30	158,410	19,561	177,971
2031-35	36,667	2,309	38,976
Totals	\$ 693,844	\$ 198,057	\$ 891,901

Governmental Funds	June 30, 2016	Additions	Reductions	June 30, 2015	Current Portion
Bond Issue 2012-A	177,971	0	0	177,971	0
Bond Issue 2012-C	161,976	0	0	161,976	0
2015 General Obligation	0	130,750	130,750	0	0
Police Water Tower	87,931	0	0	87,931	0
Snow Plow	17,828	0	0	17,828	0
Kitchen State Bank	24,129	0	0	24,129	0
Fire Truck	182,028	0	0	182,028	0
First State Bank Building	11,621	0	0	11,621	0
City Hall	107,996	0	0	107,996	0
Kentucky League of Cities	4,268	0	0	4,268	0
Total	738,700	130,750	130,750	738,700	0

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

Proprietary Funds					
	June 30			June 30	Current
	2015	Additions	Reductions	2016	Portion
KIA A12-30	\$ 445,946	\$ -	\$ 20,734	\$ 425,212	\$ 425,212
KIA F14-005	73,683	865,737	0	939,420	939,420
USDA RD 91-01	428,000	0	8,000	420,000	8,000
USDA RD 91-09	439,000	0	6,000	433,000	6,500
USDA RD 95-12	597,000	0	10,000	587,000	10,000
Solid Waste Vehicle	39,405	0	11,793	27,612	12,085
Total	\$ 2,023,034	\$ 865,737	\$ 56,527	\$ 2,832,244	\$ 1,401,217
Debt Service for the Years Ended June 30,					
			Principal	Interest	Total
2017			\$ 1,401,217	\$ 35,127	\$ 1,436,344
2018			37,383	34,231	71,614
2019			29,144	33,388	62,532
2020			26,500	32,740	59,240
2021			27,500	32,089	59,589
2022-2026			147,500	150,042	297,542
2027-2031			166,500	131,087	297,587
2032-2036			190,000	109,472	299,472
2037-2041			215,500	84,830	300,330
2042-2046			246,000	56,761	302,761
2047-2051			261,500	24,932	286,432
2052-2054			83,500	2,306	85,806
Total			\$ 2,832,244	\$ 727,005	\$ 3,559,249

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, 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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

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.

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 is for \$500,000 with KIA forgiving \$50,000 (10%). As of June 30, 2016, \$500,000 had been drawn down and \$50,000 (10%) forgiven. The balance of this loan as of June 30, 2016, is \$425,212.

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 is for \$2,400,000 with KIA forgiving \$1,200,000 (50%). As of June 30, 2016, \$1,878,839.56 had been drawn down and \$939,419.78 (50%) forgiven. The balance of this loan as of June 30, 2016, is \$939,419.78. When all the drawdowns have been completed and the forgiveness of \$1,200,000 the City will then enter a loan of \$1,200,000.

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 balance as of June 30, 2016, was \$27,612. 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.

City of Jenkins, Kentucky
Notes To Financial Statements
June 30, 2016

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 2016 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 October 21, 2016, the date which the financial statements were available to be issued. The evaluation has disclosed the following event:

July 2016-Special Called Meeting: Council approved a loan for insurance premiums at Community Trust Bank.

July 2016: Council approved selling surplus vehicles.

September 2016: Council approved selling delinquent property tax bills.

City of Jenkins
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2016

	<u>Actual</u>	<u>Final</u>	<u>\$ Over Budget</u>
Ordinary Income/Expense			
Income			
400 Property taxes	183,856	224,307	(40,451)
404 Payroll taxes	165,939	173,000	(7,061)
408 Franchise taxes	189,838	277,000	(87,162)
412 Insurance tax	103,780	134,400	(30,620)
416 fees and fines	1,513	3,000	(1,487)
420 Licenses and permits	0	16,000	(16,000)
424 Intergovernmental	241,539	173,330	68,209
428 Proceeds from financing	0		
432 Investment earnings	163		
436 Miscellaneous	103,835	109,470	(5,635)
Total Income	<u>990,463</u>	<u>1,110,507</u>	<u>(120,044)</u>
Expense			
500 General government	624,479	759,424	(134,945)
504 Public safety	170,662	177,583	(6,921)
508 Road	97,134	82,500	14,634
516 Parks and recreation	56,964	52,800	4,164
520 Cultural & recreation	30,125	20,280	9,845
Total Expense	<u>979,364</u>	<u>1,092,587</u>	<u>(113,223)</u>
Net Ordinary Income	<u>11,099</u>	<u>17,920</u>	<u>(6,821)</u>
Other Income/Expense			
Other Expense			
600 Transfer in	0		
604 Transfer out	0		
Total Other Expense	<u>0</u>		
Net Other Income	<u>0</u>	<u>0</u>	<u>0</u>
Net Income	<u>11,099</u>	<u>17,920</u>	<u>(6,821)</u>
 Adjustments to conform with GAAP:			
Non-budgetary outflows	(39,061)		
 Fund Balance Beginning	<u>80,842</u>		
 Fund Balance Ending	<u>\$ 52,880</u>		

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, 2016, and have issued our report thereon dated November 17, 2016, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of expressing 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 accounting records themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

City of Jenkins, Kentucky

Single Audit Section

Year Ended June 30, 2016

Welch & Company, CPAs, PSC

Welch & Company, CPAs, PSC
Michigan, Kentucky
November 17, 2016

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, 2016, and have issued our report thereon dated November 17, 2016, 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
November 17, 2016

City of Jenkins
Schedule Of Expenditures Of Federal Awards
For The Year Ended June 30, 2016

<u>Federal Grantor/Pass-Through Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Expenditures</u>
Environmental Protection Agency	66.468	Sewer Rehab Phase	\$1,774,868
Drinking Water State Revolving Funds		III	
Appalachian Regional Commission	23.002	Waterline	\$576,536
Appalachian Area Development		Improvement Phase	
		II	
Department of the Interior	15.252	AMLR-Payne Gap	\$139,901
Abandoned Mine Land Reclamation Program			
 Total Expenditures of Federal Awards			 \$2,491,305

City of Jenkins
Notes To The Schedule Of Expenditures Of Federal Awards
For The Year Ended June 30, 2016

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, 2016

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. The programs tested as major programs were:

Environmental Protection Agency
Drinking Water State Revolving Funds
CFDA: 66.468

Appalachian Regional Commission
Appalachian Area Development
CFDA: 23.002

5. 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.
6. The City of Jenkins was determined to be a low-risk auditee

Findings and Questioned Costs – Major Federal Award Program:

NONE

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

**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, 2016. 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, 2016.

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

November 17, 2016

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

**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, 2016, and have issued our report thereon dated November 17, 2016. 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 2016-1 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
November 17, 2016

**City of Jenkins
SCHEDULE OF FINDING AND RESPONSE
For the Year Ended June 30, 2016**

Finding 2016-1

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.

provision was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test are based on the assumption of non-fraudulent financial statements, and are subject to the risk of material misstatement.

Our audit was limited to the financial statements and we did not audit the internal controls. We did not audit the internal controls, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of those individuals charged with governance of the entity, and is not intended to be read or relied on by anyone other than those specified parties.

Wells & Company, CPA's, LLC

Wells & Company, CPA's, LLC
November 17, 2010

City of Fairfax
REPLY TO CITY OF FAIRFAX REQUEST
For the Year Ended June 30, 2010

Meeting 10/15/11

Further, those charged with governance and the individual who performs the accounting function have the authority to prepare the financial statements in accordance with generally accepted accounting principles.

Further, in order for those charged with governance and management to make financial decisions, having the appropriate records and timely financial statements need to be available.

Further, management and the individual who performs the accounting function 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: The accounting function should:

Management Response: City of Fairfax is a small organization and as such does not have the resources to hire a CPA. The operating budget is small and just the company begins to operate and more income is received, they are limited in their resources. The budget was received some limited software and accounting training for reports and routine operations. It would be difficult to record transactions and document advice from a CPA is sought.