

CITY OF
HICKMAN,
KENTUCKY

For the Year Ended June 30,

2013

AUDIT REPORT

**CITY OF HICKMAN, KENTUCKY
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To the City of Hickman, Kentucky
Honorable David Lattus, Mayor
Members of the City of Hickman Council

Independent Auditor's Report

Report on the Financial Statements

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 Hickman, Kentucky as of and for the year ended June 30, 2013, 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 Hickman, Kentucky, as of June 30, 2013, 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.

To the City of Hickman, Kentucky
Honorable David Lattus, Mayor
Members of the City of Hickman Council

Other Matters

Required Supplementary Information

Management has omitted the 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 statement, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hickman, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the City of Hickman, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hickman, Kentucky's internal control over financial reporting and compliance.

Respectfully submitted,

Romaine + Associates, PLLC

Mayfield, Kentucky
December 18, 2013

CITY OF HICKMAN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash on hand and in banks	\$ 51,631	\$ 805,499	\$ 857,130
Restricted cash	565,518	126,259	691,777
Receivables (net):			
Property tax	2,053	-	2,053
Accounts receivable, billed, net	-	101,443	101,443
Other receivable	23,742	-	23,742
Prepaid natural gas		45,304	45,304
Capital assets:			
Non-depreciable	161,500	17,353	178,853
Depreciable, net	4,398,798	5,589,859	9,988,657
Total assets	<u>5,203,242</u>	<u>6,685,717</u>	<u>11,888,959</u>
LIABILITIES			
Accounts payable	31,288	4,824	36,112
Meter deposits	-	126,259	126,259
Compensated absences	16,070	5,507	21,577
Total current liabilities	<u>47,358</u>	<u>136,590</u>	<u>183,948</u>
Noncurrent liabilities			
Notes payable	<u>126,232</u>	<u>193,626</u>	<u>319,858</u>
Total noncurrent liabilities	<u>126,232</u>	<u>193,626</u>	<u>319,858</u>
Total liabilities	<u>173,590</u>	<u>330,216</u>	<u>503,806</u>
NET POSITION			
Investments in capital assets, net of related debt	4,434,066	5,413,586	9,847,652
Restricted	565,518	-	565,518
Unrestricted	<u>30,068</u>	<u>941,915</u>	<u>971,983</u>
Total net position	<u>\$ 5,029,652</u>	<u>\$ 6,355,501</u>	<u>\$ 11,385,153</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HICKMAN, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions and Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 701,001	\$ 330,258	\$ 72,134	\$ 19,944	\$ (278,665)	\$ -	\$ (278,665)
Public safety	456,886		22,902		(433,984)	-	(433,984)
Public works	249,016	-	66,141	-	(182,875)	-	(182,875)
Interest on debt	4,537	-	-	-	(4,537)	-	(4,537)
Total governmental activities	<u>1,411,440</u>	<u>330,258</u>	<u>161,177</u>	<u>19,944</u>	<u>(900,061)</u>	<u>-</u>	<u>(900,061)</u>
Business-type activities:							
Gas fund	857,720	940,551	-	-	-	82,831	82,831
Water fund	437,387	408,237	-	22,837	-	(6,313)	(6,313)
Sewer fund	398,222	324,264	-	-	-	(73,958)	(73,958)
Total business-type activities	<u>1,693,329</u>	<u>1,673,052</u>	<u>-</u>	<u>22,837</u>	<u>-</u>	<u>2,560</u>	<u>2,560</u>
Total primary government	<u>3,104,769</u>	<u>2,003,310</u>	<u>161,177</u>	<u>42,781</u>	<u>(900,061)</u>	<u>2,560</u>	<u>(897,501)</u>
Totals	<u>\$ 3,104,769</u>	<u>\$ 2,003,310</u>	<u>\$ 161,177</u>	<u>\$ 42,781</u>	<u>(900,061)</u>	<u>2,560</u>	<u>(897,501)</u>
General revenues:							
Taxes							
Property and motor vehicle taxes					232,122		232,122
Occupational tax					290,007		290,007
Franchise tax					23,454		23,454
License and permits					100,574		100,574
Miscellaneous					61,855	11,805	73,660
Interest					8,345	860	9,205
Transfers, net					(105,215)	105,215	-
Total general revenues					<u>611,142</u>	<u>117,880</u>	<u>729,022</u>
Change in net position					(288,919)	120,440	(168,479)
Net position-beginning					<u>5,318,571</u>	<u>6,235,061</u>	<u>11,553,632</u>
Net position-ending					<u>\$ 5,029,652</u>	<u>\$ 6,355,501</u>	<u>\$ 11,385,153</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HICKMAN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash on hand and in banks	\$ 30,696	\$ 20,935	\$ 51,631
Restricted cash	87,061	478,457	565,518
Receivables (net):			
Property tax	2,053	-	2,053
Other	23,742	-	23,742
Total assets	\$ 143,552	\$ 499,392	\$ 642,944
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Encumbrances	\$ 31,288	\$ -	\$ 31,288
Provision for compensated absences	16,070	-	16,070
Total liabilities	47,358	-	47,358
Fund balances:			
Nonspendable	-	274,306	274,306
Restricted	87,061	204,151	291,212
Assigned	-	20,935	20,935
Unassigned	9,133	-	9,133
Total fund balances	96,194	499,392	595,586
Total liabilities and fund balances	\$ 143,552	\$ 499,392	\$ 642,944

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position:

Balance sheets-Governmental fund balances	\$ 595,586
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds, net of accumulated depreciation.	4,560,298
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(126,232)
Net position of governmental activities	\$ 5,029,652

The notes to the financial statements are an integral part of this statement.

CITY OF HICKMAN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Levied for general purposes	\$ 519,391	\$ -	\$ 519,391
Levied for special purposes	26,192	-	26,192
License and permits	100,574	-	100,574
Intergovernmental	114,980	66,141	181,121
Charges for services	319,250	11,008	330,258
Fines and forfeitures	18,319	-	18,319
Interest	877	7,468	8,345
Miscellaneous	43,536	-	43,536
Total revenues	<u>1,143,119</u>	<u>84,617</u>	<u>1,227,736</u>
EXPENDITURES			
Current:			
General government	675,332	19,583	694,915
Public safety	413,782	-	413,782
Public works	103,948	7,131	111,079
Debt service:			
Principal retirement	19,000	-	19,000
Interest	4,537	-	4,537
Total expenditures	<u>1,216,599</u>	<u>26,714</u>	<u>1,243,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(73,480)</u>	<u>57,903</u>	<u>(15,577)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt	60,000	-	60,000
Operating transfers in	51,200	-	51,200
Operating transfers out	(156,415)	-	(156,415)
Total other financing sources(uses)	<u>(45,215)</u>	<u>-</u>	<u>(45,215)</u>
Net changes in fund balances	(118,695)	57,903	(60,792)
FUND BALANCES, beginning	<u>214,889</u>	<u>441,489</u>	<u>656,378</u>
FUND BALANCES, ending	<u>\$ 96,194</u>	<u>\$ 499,392</u>	<u>\$ 595,586</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HICKMAN, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance-
Governmental Funds to the Statement of Activities:**

Net changes in fund balances-total governmental funds:	\$ (60,792)
Amounts reported for the governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation expense exceeded capital outlay in the current period.	(187,127)
Governmental funds report proceeds from debt as other revenue sources. However, in the government-wide financial statements, the proceeds are shown as an increase in indebtedness on the statement of net position.	(60,000)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	<u>19,000</u>
Change in net position governmental activities	<u>\$ (288,919)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HICKMAN, KENTUCKY
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-Type Activities			Totals
	Enterprise Funds			
	Gas System	Water System	Sewer System	
ASSETS				
Current assets:				
Cash on hand and in banks	\$ 543,359	\$ 182,320	\$ 79,820	\$ 805,499
Receivables (net)				
Accounts receivable, billed, net	46,013	31,168	24,262	101,443
Prepaid natural gas	45,304	-	-	45,304
Total current assets	<u>634,676</u>	<u>213,488</u>	<u>104,082</u>	<u>952,246</u>
Noncurrent assets				
Restricted cash	76,520	49,739	-	126,259
Capital assets				
Land	650	16,703	-	17,353
Plant and equipment	778,155	3,964,322	6,922,901	11,665,378
Less accumulated depreciation	<u>(753,889)</u>	<u>(2,039,569)</u>	<u>(3,282,061)</u>	<u>(6,075,519)</u>
Total noncurrent assets	<u>101,436</u>	<u>1,991,195</u>	<u>3,640,840</u>	<u>5,733,471</u>
Total assets	<u>\$ 736,112</u>	<u>\$ 2,204,683</u>	<u>\$ 3,744,922</u>	<u>\$ 6,685,717</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,824	\$ -	\$ -	\$ 4,824
Meter deposits with accrued interest	76,520	49,739	-	126,259
Provision for compensated absences	2,737	2,380	390	5,507
Total current liabilities	<u>84,081</u>	<u>52,119</u>	<u>390</u>	<u>136,590</u>
Noncurrent liabilities				
Notes payable, less current portion	-	-	193,626	193,626
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>193,626</u>	<u>193,626</u>
Total liabilities	<u>84,081</u>	<u>52,119</u>	<u>194,016</u>	<u>330,216</u>
NET POSITION				
Investment in capital assets, net of related debt	24,916	1,941,456	3,447,214	5,413,586
Unrestricted (deficit)	<u>627,115</u>	<u>211,108</u>	<u>103,692</u>	<u>941,915</u>
Total net position	<u>\$ 652,031</u>	<u>\$ 2,152,564</u>	<u>\$ 3,550,906</u>	<u>\$ 6,355,501</u>

CITY OF HICKMAN, KENTUCKY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities			Totals
	Enterprise Funds			
	Gas System	Water System	Sewer System	
Operating revenues:				
Charges for services	\$ 940,551	\$ 408,237	\$ 324,264	\$ 1,673,052
Other miscellaneous revenues	5,537	3,183	3,085	11,805
Total operating revenues	<u>946,088</u>	<u>411,420</u>	<u>327,349</u>	<u>1,684,857</u>
Operating expenses:				
Utility purchases	621,653	-	-	621,653
General expenses	18,578	49,575	56,397	124,550
Salaries and related expenses	124,268	98,503	44,271	267,042
Employee benefits	32,140	26,164	27,176	85,480
Insurance	29,169	26,925	13,000	69,094
Chemicals	-	47,192	10,466	57,658
Purchase power	-	86,310	69,398	155,708
Fuel and vehicle expense	6,968	7,421	10,094	24,483
Professional fees	11,937	17,016	15,100	44,053
Depreciation	13,007	77,712	142,939	233,658
Total operating expense	<u>857,720</u>	<u>436,818</u>	<u>388,841</u>	<u>1,683,379</u>
Operating income (loss)	<u>88,368</u>	<u>(25,398)</u>	<u>(61,492)</u>	<u>1,478</u>
Nonoperating revenues (expense)				
Interest revenue	437	239	184	860
Operating transfers in (out)	(1,590)	(37,350)	144,155	105,215
Interest expense	-	(569)	(9,381)	(9,950)
Total nonoperating revenue (expense)	<u>(1,153)</u>	<u>(37,680)</u>	<u>134,958</u>	<u>96,125</u>
Income (loss) before contributions	87,215	(63,078)	73,466	97,603
Capital contributions				
Change in net position	87,215	(40,241)	73,466	120,440
Total net position-beginning	<u>564,816</u>	<u>2,192,805</u>	<u>3,477,440</u>	<u>6,235,061</u>
Total net position-ending	<u>\$ 652,031</u>	<u>\$ 2,152,564</u>	<u>\$ 3,550,906</u>	<u>\$ 6,355,501</u>

CITY OF HICKMAN, KENTUCKY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities-			Totals
	Enterprise Funds			
	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	
	<u>System</u>	<u>System</u>	<u>System</u>	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 939,845	\$ 415,911	\$ 328,156	\$ 1,683,912
Payments to suppliers	(674,047)	(234,791)	(178,887)	(1,087,725)
Payments for employees	(160,169)	(123,647)	(73,157)	(356,973)
Other receipts/payments	16,782	3,183	(153,220)	(133,255)
Net cash provided by operating activities	<u>122,411</u>	<u>60,656</u>	<u>(77,108)</u>	<u>105,959</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund transfers in(out) to other funds	(1,590)	(37,350)	144,155	105,215
Net cash provided by noncapital financing activities	<u>(1,590)</u>	<u>(37,350)</u>	<u>144,155</u>	<u>105,215</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from debt	-	-	163,266	163,266
Capital contributions	-	22,837	-	22,837
Purchase of capital assets	(5,645)	(25,686)	(7,707)	(39,038)
Principal paid on capital debt	-	(146,246)	(220,000)	(366,246)
Interest paid on capital debt	-	(569)	(9,381)	(9,950)
Net cash provided by capital and related financing activities	<u>(5,645)</u>	<u>(149,664)</u>	<u>(73,822)</u>	<u>(229,131)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest	437	239	184	860
Net cash provided by investing activities	<u>437</u>	<u>239</u>	<u>184</u>	<u>860</u>
Net change in cash	115,613	(126,119)	(6,591)	(17,097)
Balances-beginning of year	504,266	358,178	86,411	948,855
Balances-end of year	<u>\$ 619,879</u>	<u>\$ 232,059</u>	<u>\$ 79,820</u>	<u>\$ 931,758</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating expenses:				
Operating income (loss)	\$ 88,368	\$ (25,398)	\$ (61,492)	\$ 1,478
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	13,007	77,712	142,939	233,658
(Increase) decrease in:				
Accounts receivable	(6,031)	5,230	3,892	3,091
Prepaid utility purchases	14,273	-	-	14,273
Other receivables	11,245	-	-	11,245
Increase (decrease) in:				
Accounts payable and accrued expenses	(15)	(352)	(4,432)	(4,799)
Provision for compensated absences	(3,761)	1,020	(1,710)	(4,451)
Meter deposits	5,325	2,444	-	7,769
Interfund payables	-	-	(156,305)	(156,305)
Net cash provided by operating activities	<u>\$ 122,411</u>	<u>\$ 60,656</u>	<u>\$ (77,108)</u>	<u>\$ 105,959</u>

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TO THE FINANCIAL STATEMENTS**

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CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Hickman, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles. The significant accounting policies of the City are described below.

FINANCIAL REPORTING ENTITY

The City of Hickman is a municipality governed by a mayor and commissioners. The city was incorporated in 1834 and provides the following services as authorized: public safety (fire, police and dispatch), highways and streets, recreation, planning and zoning, and general administrative services.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities; however, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which direct expenses, of a given function or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) Charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported in separate columns in the fund financial statements.

Governmental Funds

General Fund – This is the primary operating fund of the city. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some functions.

The primary government also has the following non-major fund: Municipal Road Aid Fund. Included in the Permanent fund is the Perpetual Care Fund.

Special Revenue Funds

The Municipal Road Aid Fund is presented as special revenue funds. Special revenue funds are to account for the proceeds of specific sources and expenditures that are legally restricted for specific purposes.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013
(Continued)

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-(Continued)

Government-Wide And Fund Financial Statements- (Continued)

Proprietary Funds

The proprietary fund accounts for the activities of the government's gas, water and sewer systems.

Proprietary funds distinguish operating revenues and expense from non-operating revenues and expenses. Operating revenues and expense generally result from providing services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Presentation of Component Unit

The City of Hickman has no Component Units.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CASH AND CASH EQUIVALENTS

Cash consists entirely of amounts in demand deposits as well as short term investments with an initial maturity date within three months of the date acquired by the City. KRS 66.480 permits the City to invest in U.S. Treasury and Agency Obligations, certain other federal investments, repurchase agreements, the Commonwealth of Kentucky Investment Pool and commercial banks' certificates of deposit.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has no item that meets this criterion for this category. The statement of position will sometimes report a separate section

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013
(Continued)

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES- (CONTINUED)

for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has no items that meet the criterion for this category.

PROPERTY TAX

The city elects to use the annual property assessments prepared by the county PVA. Property taxes are billed each October on the basis of the preceding January property assessment values and are due no later than the following December. A lien is placed on property for which the taxes have not been paid as of August of the following year.

Property taxes are recognized as revenue when they are levied because they are considered to be both measurable and available. Proper allowances are made for estimated uncollectible accounts and delinquent accounts.

The City is subject to an absolute maximum tax rate in that House Bill 44 prohibits levying a tax rate that will produce more revenue, exclusive of revenue from net assessment growth, than could be produced by application of the tax rate that was levied in the proceeding years' assessment. The effect of this legislation has been to limit increases in property tax revenues to minimal levels.

FIXED ASSETS

General capital assets not specifically related to activities are not reported in the propriety fund. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in the business-type activities column of the government-wide statement of net position.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Fixed Assets Account Group.

Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Prior to July 1, 2003, governmental funds infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013
(Continued)

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)

FIXED ASSETS

The range of lives used for depreciation purposes for each class is as follows:

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvements	\$ 5,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

COMPENSATED ABSENCES

It is the government's policy to permit employees to accumulate earned but unused vacation benefits, holiday benefits and sick pay benefits. Upon termination or retirement of an employee, the employee is compensated for both unused vacation and holiday pay. There is a liability for unpaid accumulated sick leave since the government does have a policy to pay any amounts when employees who have at least 10 years of service separate from the government. All vacation pay is accrued when incurred in the government-wide financial statements.

LONG TERM DEBT

The accounting treatment of long term debt depends on whether the assets used by the governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Long term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and repayment of principal and interest reported as expenditures. The accounting for the proprietary fund is the same in the fund financial statements as it is in the government-wide financial statements.

REVENUE RECOGNITION FOR UTILITY FUNDS

Revenue is recorded in the period in which services are provided. As such revenue is recorded as billed to customers on a cyclical basis. All customers are billed monthly. Unbilled services received are accrued for all utility funds.

FUND EQUITY

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013
(Continued)

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- (Continued)

FUND EQUITY- (Continued)

- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the City or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

For resources considered committed, the city issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

It is the policy of the City to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursement to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditure/expense in the reimbursing fund and as reductions of expenditures/expense in the fund that is reimbursed.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

BUDGETARY INFORMATION

Annual budgets are adopted on the cash basis of accounting according to the laws of Kentucky, and as required by the State Local Finance Officer.

The mayor presents the budget to the city council for the first reading at the first council meeting during the month of May. A second reading is usually made a few days later and becomes effective upon approval by the council. Any amendments that are made must first be brought before the council for approval. They are required to be made by the ordinance and published. Total expenditures may not legally exceed total appropriations as required by the Kentucky Revised Statutes.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013
(Continued)

NOTE B-DEPOSITS

The City maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposits at all times. In order to be valid against the FDIC, in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidence by an agreement between the city and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) be an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk in the event of a depository institution failure, the City's deposits may not be returned. The City does not have a depository policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2013, all deposits of the primary government were covered by FDIC insurance or a properly executed collateral security agreement.

NOTE C-ACCOUNTS RECEIVABLE

Governmental Activities:

The accounts receivable for the governmental activities are recorded for various taxes. The accounts receivable balances are recorded net of allowance for uncollectible.

Business-Type Activities:

The accounts receivable for the gas, water and sewer funds are recorded for both billed and unbilled services provided. These balances are recorded net of allowance for uncollectible.

NOTE D-OTHER RECEIVABLE

The other receivable is an amount owed to the general fund for collections on sanitation services. The collections amount is recorded net of allowance for uncollectible.

NOTE E -CHANGE IN ACCOUNTING PRINCIPLES

The City implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Items Previously reported as Assets and Liabilities*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013
(Continued)

NOTE F-EMPLOYEE RETIREMENT SYSTEM (CERS)

The City of Hickman has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent.

The city's contribution for FY 2011 was \$89,153, FY 2012 was \$103,939, and FY 2013 was \$97,206.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013
(Continued)

NOTE G-CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Not Being Depreciated:				
Land	\$ 161,500	\$	\$	\$ 161,500
Total Capital Assets Not Being Depreciated	<u>161,500</u>			<u>161,500</u>
Other Capital Assets:				
Buildings	1,452,595			1,452,595
Infrastructure	6,263,113			6,263,113
Machinery and Equipment	898,999	33,750		932,749
Total Other Capital Assets	8,614,707	33,750		8,648,457
Accumulated Depreciation :				
Buildings	(680,243)	(32,538)		(712,781)
Infrastructure	(2,800,363)	(136,174)		(2,936,537)
Machinery and Equipment	(548,176)	(52,165)		(600,341)
Total Depreciation	<u>(4,028,782)</u>	<u>(220,877)</u>	-	<u>(4,249,659)</u>
Net Capital Assets	<u>\$ 4,747,425</u>	<u>\$ (187,127)</u>	<u>\$ -</u>	<u>\$ 4,560,298</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 31,908
Police	22,476
Fire	28,556
Public Works (infrastructure)	136,174
Public Works	1,763
Total Depreciation Expense - Governmental Activities	<u>\$ 220,877</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013
(Continued)

NOTE G-CAPITAL ASSETS- (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Business-Type Activities:</u>				
Not Being Depreciated:				
Land	\$ 17,353	\$	\$	\$ 17,353
Other Capital Assets:				
Plant in Service	11,211,273			11,211,273
Machinery and Equipment	415,067	39,039		454,106
Total Other Capital Assets	<u>11,626,340</u>	<u>39,039</u>		<u>11,665,379</u>
Accumulated Depreciation	<u>(5,841,861)</u>	<u>(233,658)</u>		<u>(6,075,519)</u>
Total Accumulated Depreciation	<u>(5,841,861)</u>	<u>(233,658)</u>		<u>(6,075,519)</u>
Net Capital Assets	<u>\$ 5,801,832</u>	<u>\$ (194,619)</u>	<u>\$ -</u>	<u>\$ 5,607,213</u>

NOTE H-LONG TERM DEBT

Governmental Activities:

The City entered into a note agreement with Citizens Deposit Bank for an operating credit line. Total amount available to the City is \$250,000 at a fixed rate of interest 3.75 percent. The balance due as of June 30, 2013 was \$126,233.

Business-Type Activities:

The City of Hickman entered into a note agreement with Citizens Deposit Bank for an operating line of credit for the wastewater system. The line of credit is for \$250,000 at a fixed interest rate of 3.5%. Principal and interest are due at the maturity of the note. As of June 30, 2013, the balance due on the line of credit was \$193,626.

On September 29, 2000 the City entered into a note agreement with KIA (KENTUCKY INFRASTRUCTURE AUTHORITY) for the improvement of the Water facility. The amount authorized to distribute was \$ 900,523, with principal and interest due semi-annually for a term of 20 years. During the year the City had paid the balance due to KIA for this note agreement

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013
(Continued)

NOTE H-LONG TERM DEBT-(Continued)

Business-Type Activities:

On August 23, 2003 the City entered into a bond issuance with the USDA for the improvement of the wastewater facility. The amount authorized to distribute was \$ 215,000. The bonds are payable in annual principal and semi-annual interest payments. During the year the City had paid the balance due to KIA for this note agreement.

Changes in Long-Term Liabilities

Long-term liabilities activities for the year ended June 30, 2013, were as follows:

	<u>JUNE 30, 2012</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2013</u>
Governmental Activities:				
Note Payable-Citizens Deposit Bank	\$ 85,233	\$ 60,000	\$ 19,000	\$ 126,233
Total Governmental Activities	<u>\$ 85,233</u>	<u>\$ 60,000</u>	<u>\$ 19,000</u>	<u>\$ 126,233</u>
Business-Type Activities:				
USDA	\$ 197,000	\$ -	\$ 197,000	\$ -
Note Payable- Citizens Deposit Bank	53,360	163,266	23,000	193,626
Kentucky Infrastructure -Water	146,246		146,246	-
	<u>\$ 396,606</u>	<u>\$ 163,266</u>	<u>\$ 366,246</u>	<u>\$ 193,626</u>

NOTE I –INTEREST ON DEBT

Interest on debt on the Statement of Activities includes \$4,537 in interest on financing obligations.

NOTE J-RISK MANAGEMENT

The City is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, natural disasters. The City has obtained insurance coverage through a commercial insurance company. In addition, the City has effectively managed risk through various employee education and prevention programs through the efforts and cooperation of its department heads. Expenditures and claims are recognized when probable that a loss has occurred and the amount of loss is fixed or can be reasonably estimated.

The City attorney estimates that the amount of actual or potential claims against the City as of June 30, 2013, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims.

NOTE K-SUBSEQUENT EVENTS

Management has evaluated subsequent events that may require disclosure in the financial statements through December 18, 2013, the date the financial statements were available to be issued.

**CITY OF HICKMAN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ 214,889	\$ 214,889
Resources (inflows):				
Taxes				
Property	138,275	138,275	175,431	37,156
Payroll	316,500	316,500	290,007	(26,493)
Franchise taxes	24,200	24,200	23,454	(746)
In Lieu of taxes	19,275	19,275	30,499	11,224
Prop tax/ fire appar	26,950	26,950	26,192	(758)
Intergovernmental	117,928	180,299	114,980	(65,319)
Fines and forfeitures	5,225	12,657	18,319	5,662
License and permits	92,450	92,750	100,574	7,824
Interest received	900	900	877	(23)
Charges for services	350,390	350,390	319,250	(31,140)
Miscellaneous	14,225	47,837	43,536	(4,301)
Borrowed monies	-	60,000	60,000	-
Transfer in	190,517	190,517	51,200	(139,317)
Amounts available for appropriation	<u>1,296,835</u>	<u>1,460,550</u>	<u>1,469,208</u>	<u>8,658</u>
Charges to appropriations (outflows):				
General government	746,265	766,669	698,869	(67,800)
Public safety	417,350	401,475	413,782	12,307
Public works	133,220	133,220	103,948	(29,272)
Transfers out	-	21,355	156,415	135,060
Total charges to appropriations	<u>1,296,835</u>	<u>1,322,719</u>	<u>1,373,014</u>	<u>50,295</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ 137,831</u>	<u>\$ 96,194</u>	<u>\$ (41,637)</u>

**CITY OF HICKMAN, KENTUCKY
 BUDGETARY COMPARISON STATEMENT
 GENERAL FUND-NOTE TO RSI
 For The Year Ended June 30, 2013**

Note A- Explanation of Differences Between Budgetary Inflows and Outflow and
 GAAP Revenues and Expenditures

	General Fund
Sources/inflows of resources:	
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 1,469,208
Differences-budget to GAAP	
The beginning fund balance is a budgetary resource, but this is not a current year revenue for financial reporting purposes	(214,889)
Proceeds from debt are inflows of budgetary resources, but not revenues for financial reporting purposes	(60,000)
Transfers from other funds are inflows of budgetary resources, but not revenues for financial reporting purposes	(51,200)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	\$ 1,143,119
Uses/outflows of resources:	
Actual amount "total charges to appropriations" from the budgetary comparison schedule	\$ 1,373,014
Differences-budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	(156,415)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	\$ 1,216,599

CITY OF HICKMAN, KENTUCKY
COMBINING BALANCE SHEET-NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	Total Nonmajor Governmental Funds
	Municipal Road Aid	Total	Cemetery Care	
ASSETS				
Cash on hand and in banks	\$ -	\$ -	\$ 20,935	\$ 20,935
Restricted cash	204,151	204,151	274,306	478,457
Total assets	<u>204,151</u>	<u>204,151</u>	<u>295,241</u>	<u>499,392</u>
FUND BALANCES				
Fund balances:				
Nonspendable			274,306	274,306
Restricted	204,151	204,151	-	204,151
Assigned	-	-	20,935	20,935
Total fund balances	<u>\$ 204,151</u>	<u>\$ 204,151</u>	<u>\$ 295,241</u>	<u>\$ 499,392</u>

CITY OF HICKMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES- NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2013

	Total	Permanent Fund Cemetery Care	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 66,141	\$ -	\$ 66,141
Charges for services	-	11,008	11,008
Investment earnings	396	7,072	7,468
Total revenues	<u>66,537</u>	<u>18,080</u>	<u>84,617</u>
EXPENDITURES			
General government	-	19,583	19,583
Public works	7,131	-	7,131
Total expenditures	<u>7,131</u>	<u>19,583</u>	<u>26,714</u>
Net change in fund balances	59,406	(1,503)	57,903
Fund balances-beginning	<u>144,745</u>	<u>296,744</u>	<u>441,489</u>
Fund balances-ending	<u>\$ 204,151</u>	<u>\$ 295,241</u>	<u>\$ 499,392</u>

CITY OF HICKMAN, KENTUCKY
 STATEMENT OF DETAILED EXPENDITURES
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

	General Government						Public Works	Public Safety		
	Legislative	Executive	Finance & Administrative	Legal Council	General Services	Code Enforcement	Street & Parks	Police	Fire	Communication Administration
Salaries	\$ 19,200	\$ 61,884	\$ 27,130	\$ -	\$ 4,637	\$ 3,118	\$ 4,765	\$ 143,580	\$ 12,095	\$ 48,961
Payroll taxes	1,525	4,019	2,241	-	-	216	484	9,822	393	3,831
Employee benefits	-	-	10,266	-	-	-	6,106	34,314	-	6,208
Retirement benefits	-	2,029	13,631	-	-	-	5,839	27,883	1,053	6,835
Unemployment	-	-	-	-	4,170	-	-	-	-	-
Worker compensation	-	-	-	-	5,000	-	1,752	6,000	825	2,500
Professional services	-	-	11,054	9,350	18,039	-	-	-	1,082	-
Travel	478	114	96	-	-	-	-	290	-	-
Training	1,421	115	-	-	-	245	-	690	60	320
Dues/subscriptions	1,456	-	249	-	-	-	-	50	35	-
Telephone	-	-	4,817	-	-	-	-	33	-	9,130
Advertising	-	-	511	-	2,096	-	-	-	-	-
Insurance	-	-	-	75	34,292	-	-	-	-	-
Office supplies	-	52	9,188	-	-	-	-	17	-	269
Printing	-	-	2,152	-	-	-	-	-	-	-
Postage	-	-	6,159	-	-	-	-	-	-	-
Operating supplies	-	-	2,548	-	-	-	6,633	93	2,673	28,989
Operating equipment	-	-	303	-	-	-	1,893	25	14,215	100
Fuel	-	479	-	-	-	-	9,444	10,080	1,733	-
Maintenance	-	122	-	-	5,035	4,000	19,484	2,780	8,350	4,111
Uniforms	-	-	-	-	-	-	605	102	-	-
Utilities	-	-	-	-	8,848	-	46,943	-	-	16,327
Garbage collection	-	-	-	-	214,772	-	-	-	-	-
Contingencies	9,866	-	-	-	6,674	-	-	-	-	-
Animal control	-	-	-	-	1,019	-	-	-	-	-
Ambulance fees	-	-	-	-	109,042	-	-	-	-	-
Economic development	-	-	-	-	5,833	-	-	-	-	-
Debt retirement	-	-	19,000	-	-	-	-	-	-	-
Debt interest	-	-	4,537	-	-	-	-	-	-	-
Grant expenditures	-	-	-	-	19,944	-	-	-	-	-
Capital outlay	-	-	25,822	-	-	-	-	-	7,928	-
Sub-total	33,946	68,814	139,704	9,425	439,401	7,579	103,948	235,759	50,442	127,581
Operating transfers out	-	-	-	-	156,415	-	-	-	-	-
Total	\$ 33,946	\$ 68,814	\$ 139,704	\$ 9,425	\$ 595,816	\$ 7,579	\$ 103,948	\$ 235,759	\$ 50,442	\$ 127,581



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

The Honorable David Lattus, City of Hickman, Kentucky Mayor
Members of the City of Hickman Council

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hickman, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Hickman, Kentucky's basic financial statements, and have issued our report thereon dated December 18, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hickman, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hickman, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hickman, Kentucky's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hickman, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Romaine & Associates, PLLC

December 18, 2013