

CITY OF
HICKMAN,
KENTUCKY

For the Year Ended June 30,

2014

AUDIT REPORT

**CITY OF HICKMAN, KENTUCKY
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FOR THE YEAR ENDED JUNE 30, 2014**

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickman, Kentucky, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 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.

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 12, 2014, 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 12, 2014

CITY OF HICKMAN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash on hand and in banks	\$ 51,735	\$ 755,351	\$ 807,086
Restricted cash	651,885	137,724	789,609
Receivables (net):			
Property tax	3,380	-	3,380
Accounts receivable, billed, net	-	119,812	119,812
Other receivable	25,791	-	25,791
Prepaid natural gas		50,843	50,843
Capital assets:			
Non-depreciable	161,500	17,353	178,853
Depreciable, net	4,257,992	5,545,261	9,803,253
Total assets	<u>5,152,283</u>	<u>6,626,344</u>	<u>11,778,627</u>
LIABILITIES			
Accounts payable	24,144	6,071	30,215
Meter deposits	-	137,724	137,724
Compensated absences	13,923	6,449	20,372
Total current liabilities	<u>38,067</u>	<u>150,244</u>	<u>188,311</u>
Noncurrent liabilities			
Notes payable	195,073	141,943	337,016
Total noncurrent liabilities	<u>195,073</u>	<u>141,943</u>	<u>337,016</u>
Total liabilities	<u>233,140</u>	<u>292,187</u>	<u>525,327</u>
NET POSITION			
Investments in capital assets, net of related debt	4,224,419	5,420,671	9,645,090
Restricted	651,885	-	651,885
Unrestricted	42,839	913,486	956,325
Total net position	<u>\$ 4,919,143</u>	<u>\$ 6,334,157</u>	<u>\$ 11,253,300</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, 2014

Functions and Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities							
General government	\$ 794,283	\$ 336,619	\$ 14,652	\$ -	\$ (443,012)	\$ -	\$ (443,012)
Public safety	345,821	-	16,443	-	(329,378)	-	(329,378)
Public works	227,988	-	123,966	-	(104,022)	-	(104,022)
Interest on debt	6,211	-	-	-	(6,211)	-	(6,211)
Total governmental activities	<u>1,374,303</u>	<u>336,619</u>	<u>155,061</u>	<u>-</u>	<u>(882,623)</u>	<u>-</u>	<u>(882,623)</u>
Business-type activities:							
Gas fund	1,158,566	1,275,909	-	-	-	117,343	117,343
Water fund	456,903	387,929	-	48,590	-	(20,384)	(20,384)
Sewer fund	362,840	314,129	-	-	-	(48,711)	(48,711)
Total business-type activities	<u>1,978,309</u>	<u>1,977,967</u>	<u>-</u>	<u>48,590</u>	<u>-</u>	<u>48,248</u>	<u>48,248</u>
Total primary government	<u>3,352,612</u>	<u>2,314,586</u>	<u>155,061</u>	<u>48,590</u>	<u>(882,623)</u>	<u>48,248</u>	<u>(834,375)</u>
Totals	<u>\$ 3,352,612</u>	<u>\$ 2,314,586</u>	<u>\$ 155,061</u>	<u>\$ 48,590</u>	<u>(882,623)</u>	<u>48,248</u>	<u>(834,375)</u>
General revenues:							
Taxes							
Property and motor vehicle taxes					220,847		220,847
Occupational tax					289,666		289,666
Franchise tax					26,768		26,768
License and permits					103,732		103,732
Miscellaneous					35,030	18,090	53,120
Interest					7,690	700	8,390
Transfers, net					88,382	(88,382)	-
Total general revenues					<u>772,115</u>	<u>(69,592)</u>	<u>702,523</u>
Change in net position					(110,508)	(21,344)	(131,852)
Net position-beginning					<u>5,029,651</u>	<u>6,355,501</u>	<u>11,385,152</u>
Net position-ending					<u>\$ 4,919,143</u>	<u>\$ 6,334,157</u>	<u>\$ 11,253,300</u>

**CITY OF HICKMAN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash on hand and in banks	\$ 35,225	\$ 16,510	\$ 51,735
Restricted cash	110,706	541,179	651,885
Receivables (net):			
Property tax	3,380	-	3,380
Other	25,791	-	25,791
Total assets	\$ 175,102	\$ 557,689	\$ 732,791
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Encumbrances	\$ 24,144	\$ -	\$ 24,144
Provision for compensated absences	13,923	-	13,923
Total liabilities	38,067	-	38,067
 Fund balances:			
Nonspendable	-	274,306	274,306
Restricted	110,706	266,873	377,579
Assigned	-	16,510	16,510
Unassigned	26,329	-	26,329
Total fund balances	137,035	557,689	694,724
Total liabilities and fund balances	\$ 175,102	\$ 557,689	\$ 732,791

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

Balance sheet-Governmental funds balances	\$ 694,724
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds, net of accumulated depreciation.	4,419,492
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(195,073)
Net position of governmental activities	\$ 4,919,143

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, 2014

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Levied for general purposes	\$ 510,168	\$ -	\$ 510,168
Levied for special purposes	27,113	-	27,113
License and permits	103,732	-	103,732
Intergovernmental	31,095	123,966	155,061
Charges for services	326,721	9,898	336,619
Fines and forfeitures	6,894	-	6,894
Interest	877	6,813	7,690
Miscellaneous	28,136	-	28,136
Total revenues	<u>1,034,736</u>	<u>140,677</u>	<u>1,175,413</u>
EXPENDITURES			
Current:			
General government	745,343	20,659	766,002
Public safety	299,976	-	299,976
Public works	99,587	61,721	161,308
Debt service:			
Principal retirement	41,500	-	41,500
Interest	6,211	-	6,211
Total expenditures	<u>1,192,617</u>	<u>82,380</u>	<u>1,274,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(157,881)</u>	<u>58,297</u>	<u>(99,584)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt	110,340	-	110,340
Operating transfers in	175,142	-	175,142
Operating transfers out	(86,760)	-	(86,760)
Total other financing sources(uses)	<u>198,722</u>	<u>-</u>	<u>198,722</u>
Net changes in fund balances	40,841	58,297	99,138
FUND BALANCES, beginning	<u>96,194</u>	<u>499,392</u>	<u>595,586</u>
FUND BALANCES, ending	<u>\$ 137,035</u>	<u>\$ 557,689</u>	<u>\$ 694,724</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, 2014

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

Net changes in fund balances-total governmental funds:	\$ 99,138
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.	(140,806)
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.	(110,340)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	<u>41,500</u>
Change in net position governmental activities	<u>\$ (110,508)</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, 2014

	Business-Type Activities			Totals
	Enterprise Funds			
	Gas System	Water System	Sewer System	
ASSETS				
Current assets:				
Cash on hand and in banks	\$ 589,300	\$ 96,580	\$ 69,471	\$ 755,351
Receivables (net)				
Accounts receivable, billed, net	64,950	30,656	24,206	119,812
Prepaid natural gas	50,843	-	-	50,843
Total current assets	<u>705,093</u>	<u>127,236</u>	<u>93,677</u>	<u>926,006</u>
Noncurrent assets				
Restricted cash	82,767	54,957	-	137,724
Capital assets				
Land	650	16,703	-	17,353
Plant and equipment	793,024	4,152,063	6,922,901	11,867,988
Less accumulated depreciation	<u>(768,346)</u>	<u>(2,128,418)</u>	<u>(3,425,963)</u>	<u>(6,322,727)</u>
Total noncurrent assets	<u>108,095</u>	<u>2,095,305</u>	<u>3,496,938</u>	<u>5,700,338</u>
Total assets	<u>\$ 813,188</u>	<u>\$ 2,222,541</u>	<u>\$ 3,590,615</u>	<u>\$ 6,626,344</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 6,071	\$ -	\$ -	\$ 6,071
Meter deposits with accrued interest	82,767	54,957	-	137,724
Provision for compensated absences	2,956	2,590	903	6,449
Total current liabilities	<u>91,794</u>	<u>57,547</u>	<u>903</u>	<u>150,244</u>
Noncurrent liabilities				
Notes payable, less current portion	-	-	141,943	141,943
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>141,943</u>	<u>141,943</u>
Total liabilities	<u>91,794</u>	<u>57,547</u>	<u>142,846</u>	<u>292,187</u>
NET POSITION				
Investment in capital assets, net of related debt	25,328	2,040,348	3,354,995	5,420,671
Unrestricted (deficit)	<u>696,066</u>	<u>124,646</u>	<u>92,774</u>	<u>913,486</u>
Total net position	<u>\$ 721,394</u>	<u>\$ 2,164,994</u>	<u>\$ 3,447,769</u>	<u>\$ 6,334,157</u>

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

CITY OF HICKMAN, KENTUCKY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities			Totals
	Enterprise Funds			
	Gas System	Water System	Sewer System	
Operating revenues:				
Charges for services	\$ 1,275,909	\$ 387,929	\$ 314,129	\$ 1,977,967
Other miscellaneous revenues	4,458	12,301	1,331	18,090
Total operating revenues	<u>1,280,367</u>	<u>400,230</u>	<u>315,460</u>	<u>1,996,057</u>
Operating expenses:				
Utility purchases	908,110	-	-	908,110
General expenses	27,503	81,475	57,615	166,593
Salaries and related expenses	117,378	81,956	17,272	216,606
Employee benefits	37,454	25,977	14,059	77,490
Insurance	32,320	27,520	13,200	73,040
Chemicals	-	43,229	9,532	52,761
Purchase power	-	82,568	75,871	158,439
Fuel and vehicle expense	6,277	6,830	7,207	20,314
Professional fees	15,067	18,499	18,518	52,084
Depreciation	14,457	88,849	143,902	247,208
Total operating expense	<u>1,158,566</u>	<u>456,903</u>	<u>357,176</u>	<u>1,972,645</u>
Operating income (loss)	<u>121,801</u>	<u>(56,673)</u>	<u>(41,716)</u>	<u>23,412</u>
Nonoperating revenues (expense)				
Interest revenue	456	121	123	700
Operating transfers in (out)	(52,894)	20,392	(55,880)	(88,382)
Interest expense	-	-	(5,664)	(5,664)
Total nonoperating revenue (expense)	<u>(52,438)</u>	<u>20,513</u>	<u>(61,421)</u>	<u>(93,346)</u>
Income (loss) before contributions	69,363	(36,160)	(103,137)	(69,934)
Capital contributions				
Change in net position	69,363	12,430	(103,137)	(21,344)
Total net position-beginning	<u>652,031</u>	<u>2,152,564</u>	<u>3,550,906</u>	<u>6,355,501</u>
Total net position-ending	<u>\$ 721,394</u>	<u>\$ 2,164,994</u>	<u>\$ 3,447,769</u>	<u>\$ 6,334,157</u>

CITY OF HICKMAN, KENTUCKY
 STATEMENTS OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2014

	Business-Type Activities- Enterprise Funds			Totals
	Gas System	Water System	Sewer System	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,263,219	\$ 393,659	\$ 314,185	\$ 1,971,063
Payments to suppliers	(993,569)	(260,121)	(181,943)	(1,435,633)
Payments for employees	(154,613)	(107,723)	(30,818)	(293,154)
Other receipts/payments	4,458	12,301	1,331	18,090
Net cash provided by operating activities	<u>119,495</u>	<u>38,116</u>	<u>102,755</u>	<u>260,366</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund transfers in(out) to other funds	(52,894)	20,392	(55,880)	(88,382)
Net cash provided by noncapital financing activities	<u>(52,894)</u>	<u>20,392</u>	<u>(55,880)</u>	<u>(88,382)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-	48,590	-	48,590
Purchase of capital assets	(14,869)	(187,741)	-	(202,610)
Principal paid on capital debt	-	-	(51,683)	(51,683)
Interest paid on capital debt	-	-	(5,664)	(5,664)
Net cash provided by capital and related financing activities	<u>(14,869)</u>	<u>(139,151)</u>	<u>(57,347)</u>	<u>(211,367)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest	456	121	123	700
Net cash provided by investing activities	<u>456</u>	<u>121</u>	<u>123</u>	<u>700</u>
Net change in cash	52,188	(80,522)	(10,349)	(38,683)
Balances-beginning of year	619,879	232,059	79,820	931,758
Balances-end of year	<u>\$ 672,067</u>	<u>\$ 151,537</u>	<u>\$ 69,471</u>	<u>\$ 893,075</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating expenses:				
Operating income (loss)	\$ 121,801	\$ (56,673)	\$ (41,716)	\$ 23,412
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	14,457	88,849	143,902	247,208
(Increase) decrease in:				
Accounts receivable	(18,937)	512	56	(18,369)
Prepaid utility purchases	(5,539)	-	-	(5,539)
Increase (decrease) in:				
Accounts payable and accrued expenses	1,247	-	-	1,247
Provision for compensated absences	219	210	513	942
Meter deposits	6,247	5,218	-	11,465
Net cash provided by operating activities	<u>\$ 119,495</u>	<u>\$ 38,116</u>	<u>\$ 102,755</u>	<u>\$ 260,366</u>

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TO THE FINANCIAL STATEMENTS**

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CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

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, 2014
(Continued)

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

Government-Wide And Fund Financial Statements- (Continued)

Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses 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, 2014
(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, 2014
(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:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014
(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 the 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, amounts 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, 2014
(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, 2014, 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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014
(Continued)

NOTE E-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 18.89 percent.

The City's contribution for FY 2012 was \$103,939 FY 2013 was \$97,206 and FY 2014 was \$84,618.

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, 2014
(Continued)

NOTE G-CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<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	72,711		6,335,824
Machinery and Equipment	<u>932,749</u>	<u>6,200</u>		<u>938,949</u>
Total Other Capital Assets	8,648,457	78,911		8,727,368
Accumulated Depreciation:				
Buildings	(712,781)	(32,538)		(745,319)
Infrastructure	(2,936,537)	(137,628)		(3,074,165)
Machinery and Equipment	<u>(600,341)</u>	<u>(49,551)</u>		<u>(649,892)</u>
Total Depreciation	<u>(4,249,659)</u>	<u>(219,717)</u>	-	<u>(4,469,376)</u>
Net Capital Assets	<u>\$ 4,560,298</u>	<u>\$ (140,806)</u>	<u>\$ -</u>	<u>\$ 4,419,492</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 28,281
Police	22,476
Fire	29,569
Public Works (infrastructure)	137,628
Public Works	1,763
Total Depreciation Expense - Governmental Activities	<u>\$ 219,717</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014
(Continued)

NOTE G-CAPITAL ASSETS- (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
Not Being Depreciated:				
Land	\$ 17,353	\$	\$	\$ 17,353
Other Capital Assets:				
Plant in Service	11,211,273	63,569		11,274,842
Machinery and Equipment	454,106	139,041		593,147
Total Other Capital Assets	<u>11,665,379</u>	<u>202,610</u>		<u>11,867,989</u>
Accumulated Depreciation	<u>(6,075,519)</u>	<u>(247,208)</u>		<u>(6,322,727)</u>
Total Accumulated Depreciation	<u>(6,075,519)</u>	<u>(247,208)</u>		<u>(6,322,727)</u>
Net Capital Assets	<u>\$ 5,607,213</u>	<u>\$ (44,598)</u>	<u>\$ -</u>	<u>\$ 5,562,615</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, 2014 was \$195,073.

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, 2014, the balance due on the line of credit was \$141,943.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014
(Continued)

NOTE H-LONG TERM DEBT-(Continued)

Changes in Long-Term Liabilities

Long-term liabilities activities for the year ended June 30, 2014, were as follows:

	<u>JUNE 30, 2013</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2014</u>
Governmental Activities:				
Note Payable-Citizens Deposit Bank	\$ 126,233	\$ 110,340	\$ 41,500	\$ 195,073
Total Governmental Activities	<u>\$ 126,233</u>	<u>\$ 110,340</u>	<u>\$ 41,500</u>	<u>\$ 195,073</u>
Business-Type Activities:				
Note Payable- Citizens Deposit Bank	\$ 193,626	\$ -	\$ 51,683	\$ 141,943
	<u>\$ 193,626</u>	<u>\$ -</u>	<u>\$ 51,683</u>	<u>\$ 141,943</u>

NOTE I –INTEREST ON DEBT

Interest on debt on the Statement of Activities includes \$6,211 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, 2014, 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 12, 2014, 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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ 96,194	\$ 96,194
Resources (inflows):				
Taxes				
Property	157,349	157,349	179,047	21,698
Payroll	294,719	294,719	289,666	(5,053)
Franchise taxes	24,000	24,000	26,768	2,768
In Lieu of taxes	10,000	10,000	14,687	4,687
Prop tax/ fire appar	25,500	25,500	27,113	1,613
Intergovernmental	86,771	154,471	31,095	(123,376)
Fines and forfeitures	12,740	12,740	6,894	(5,846)
License and permits	91,775	91,775	103,732	11,957
Interest received	1,000	1,000	877	(123)
Charges for services	294,020	294,020	326,721	32,701
Miscellaneous	14,000	14,000	28,136	14,136
Borrowed monies	-	-	110,340	110,340
Transfer in	244,095	249,653	175,142	(74,511)
Amounts available for appropriation	<u>1,255,969</u>	<u>1,329,227</u>	<u>1,416,412</u>	<u>87,185</u>
Charges to appropriations (outflows):				
General government	791,833	791,833	793,054	1,221
Public safety	291,296	291,296	299,976	8,680
Public works	172,840	246,098	99,587	(146,511)
Transfers out	-	-	86,760	86,760
Total charges to appropriations	<u>1,255,969</u>	<u>1,329,227</u>	<u>1,279,377</u>	<u>(49,850)</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,035</u>	<u>\$ 137,035</u>

CITY OF HICKMAN, KENTUCKY
 BUDGETARY COMPARISON STATEMENT
 GENERAL FUND-NOTE TO RSI
 For The Year Ended June 30, 2014

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

	General Fund
Sources/inflows of resources:	
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 1,416,412
Differences-budget to GAAP	
The beginning fund balance is a budgetary resource, but this is not a current year revenue for financial reporting purposes	(96,194)
Proceeds from debt are inflows of budgetary resources, but not revenues for financial reporting purposes	(110,340)
Transfers from other funds are inflows of budgetary resources, but not revenues for financial reporting purposes	(175,142)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	\$ 1,034,736
Uses/outflows of resources:	
Actual amount "total charges to appropriations" from the budgetary comparison schedule	\$ 1,279,377
Differences-budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	(86,760)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	\$ 1,192,617

CITY OF HICKMAN, KENTUCKY
COMBINING BALANCE SHEET-NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Special Revenue Funds</u>		<u>Permanent</u> <u>Fund</u>	Total Nonmajor Governmental Funds
	Municipal Road Aid	Total	Cemetery Care	
ASSETS				
Cash on hand and in banks	\$ -	\$ -	\$ 16,510	\$ 16,510
Restricted cash	266,873	266,873	274,306	541,179
Total assets	<u>266,873</u>	<u>266,873</u>	<u>290,816</u>	<u>557,689</u>
FUND BALANCES				
Fund balances:				
Nonspendable			274,306	274,306
Restricted	266,873	266,873	-	266,873
Assigned	-	-	16,510	16,510
Total fund balances	<u>\$ 266,873</u>	<u>\$ 266,873</u>	<u>\$ 290,816</u>	<u>\$ 557,689</u>

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

CITY OF HICKMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
NON-MAJOR
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2014

	Special Revenue Municipal Road Aid	Permanent Fund Cemetery Care	Total Nonmajor Governmental Funds
REVENUES			
Intergovernmental	\$ 123,966	\$ -	\$ 123,966
Charges for services	-	9,898	9,898
Investment earnings	477	6,336	6,813
Total revenues	<u>124,443</u>	<u>16,234</u>	<u>140,677</u>
EXPENDITURES			
General government	-	20,659	20,659
Public works	61,721	-	61,721
Total expenditures	<u>61,721</u>	<u>20,659</u>	<u>82,380</u>
Net change in fund balances	62,722	(4,425)	58,297
Fund balances-beginning	<u>204,151</u>	<u>295,241</u>	<u>499,392</u>
Fund balances-ending	<u>\$ 266,873</u>	<u>\$ 290,816</u>	<u>\$ 557,689</u>

CITY OF HICKMAN, KENTUCKY
STATEMENT OF DETAILED EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	General Government						Public Works	Public Safety	
	Legislative	Executive	Finance & Administrative	Legal Council	General Services	Code Enforcement	Street & Parks	Police	Fire
Salaries	\$ 18,900	\$ 43,088	\$ 62,619	\$ -	\$ 10,346	\$ 3,074	\$ 14,723	\$ 148,019	\$ 20,213
Payroll taxes	1,446	3,033	4,908	-	-	216	923	10,334	1,064
Employee benefits	-	2,615	13,233	-	-	-	5,593	22,435	-
Retirement benefits	-	7,899	9,845	-	-	-	3,068	25,798	963
Unemployment	-	-	-	-	10,280	-	-	-	-
Worker compensation	-	-	-	-	5,000	-	2,500	6,500	1,325
Professional services	-	-	7,317	10,200	36,395	-	-	536	2,574
Travel	331	759	136	-	-	-	-	175	-
Training	2,888	1,559	-	-	-	-	-	736	200
Dues/subscriptions	1,235	400	85	-	-	-	-	500	535
Telephone	-	-	4,265	-	-	-	-	2,768	2,767
Advertising	-	-	1,058	-	3,036	-	-	-	-
Insurance	-	-	-	75	35,759	-	-	-	-
Office supplies	-	297	5,606	-	-	-	-	151	164
Printing	-	-	4,489	-	-	-	-	-	-
Postage	-	-	6,734	-	-	-	-	-	-
Operating supplies	-	-	865	-	-	-	3,962	204	533
Operating equipment	-	-	6,692	-	-	-	2,670	5,758	802
Fuel	-	1,109	-	-	-	-	10,244	9,812	1,045
Maintenance	-	533	-	-	2,650	5,500	16,446	2,701	13,834
Uniforms	-	-	-	-	-	-	-	970	137
Utilities	-	-	-	-	10,742	-	39,458	7,538	8,885
Garbage collection	-	-	-	-	215,061	-	-	-	-
Contingencies	7,528	-	-	-	2,549	-	-	-	-
Animal control	-	-	-	-	1,034	-	-	-	-
Ambulance fees	-	-	-	-	104,954	-	-	-	-
Dispatch fees	-	-	-	-	60,000	-	-	-	-
Economic development	-	-	-	-	7,000	-	-	-	-
Debt retirement	-	-	41,500	-	-	-	-	-	-
Debt interest	-	-	9,211	-	-	-	-	-	-
Grant expenditures	-	-	-	-	-	-	-	-	-
Sub-total	32,328	61,292	178,563	10,275	504,806	8,790	99,587	244,935	55,041
Operating transfers out	-	-	-	-	83,760	-	-	-	-
Total	\$ 32,328	\$ 61,292	\$ 178,563	\$ 10,275	\$ 588,566	\$ 8,790	\$ 99,587	\$ 244,935	\$ 55,041



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, 2014, 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 12, 2014.

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 12, 2014