

**CITY OF HICKMAN, KENTUCKY**  
**AUDIT REPORT**  
**JUNE 30, 2016**

**CITY OF HICKMAN, KENTUCKY  
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FOR THE YEAR ENDED JUNE 30, 2016**

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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 the City of Hickman, Kentucky as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States also require budgetary comparisons and the Schedule of Net Pension Liability and Related Ratios Based on Participation in the County's Employees' Retirement System of KRS and the Schedule of Employer's Contributions in the County's Employees' Retirement System of KRS be presented to supplement the basic financial statements. . Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

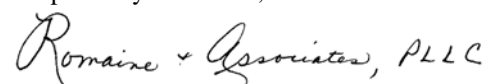
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hickman, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not 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 January 11, 2017, 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,



Mayfield, Kentucky  
January 11, 2017

**CITY OF HICKMAN, KENTUCKY**  
**STATEMENT OF NET POSITON**  
**JUNE 30, 2016**

	<b>Primary Government</b>		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash on hand and in banks	\$ 74,662	\$ 412,302	\$ 486,964
Restricted cash	2,703,047	155,372	2,858,419
Receivables (net):			
Property tax	1,754	-	1,754
Accounts receivable, billed, net	-	83,534	83,534
Other receivable	9,811	-	9,811
Internal balances	501,286	-	501,286
Prepaid natural gas		95,609	95,609
Capital assets:			
Non-depreciable	232,182	17,353	249,535
Depreciable, net	4,262,215	5,157,497	9,419,712
Total assets	<u>7,784,957</u>	<u>5,921,667</u>	<u>13,706,624</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred amounts related to pension	<u>176,646</u>	<u>127,916</u>	<u>304,562</u>
Total deferred outflows of resources	<u>176,646</u>	<u>127,916</u>	<u>304,562</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 7,961,603</u>	<u>\$ 6,049,583</u>	<u>\$ 14,011,186</u>
<b>LIABILITIES</b>			
Bank overdrafts			
Accounts payable	22,542	3,550	26,092
Meter deposits	-	155,372	155,372
Compensated absences	18,204	5,365	23,569
Internal balances		501,286	501,286
Current portion of long-term debt	<u>23,944</u>	<u>-</u>	<u>23,944</u>
Total current liabilities	<u>64,690</u>	<u>665,573</u>	<u>730,263</u>
Noncurrent liabilities			
Pension liability	575,481	416,728	992,209
Notes payable	<u>2,671,299</u>	<u>1</u>	<u>2,671,300</u>
Total noncurrent liabilities	<u>3,246,780</u>	<u>416,729</u>	<u>3,663,509</u>
Total liabilities	<u>3,311,470</u>	<u>1,082,302</u>	<u>4,393,772</u>
<b>DEFERRED INFLOWS</b>			
Deferred amounts related to pension	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>\$ 3,311,470</u>	<u>\$ 1,082,302</u>	<u>\$ 4,393,772</u>
<b>NET POSITION</b>			
Investments in capital assets,			
net of related debt	4,494,397	5,191,896	9,686,293
Restricted	549,104	-	549,104
Unrestricted	<u>(393,368)</u>	<u>293,718</u>	<u>(99,650)</u>
Total net position	<u>\$ 4,650,133</u>	<u>\$ 5,485,614</u>	<u>\$ 10,135,747</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, 2016**

	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
<b>Functions and Programs</b>							
Governmental activities							
General government	\$ 831,677	\$ 338,924	\$ 7,213	\$ -	\$ (485,540)	\$ -	\$ (485,540)
Public safety	354,770		10,055		(344,715)	-	(344,715)
Public works	270,413	-	47,067	-	(223,346)	-	(223,346)
Interest on debt	10,945	-	-	-	(10,945)	-	(10,945)
Total governmental activities	<u>1,467,805</u>	<u>338,924</u>	<u>64,335</u>	<u>-</u>	<u>(1,064,546)</u>	<u>-</u>	<u>(1,064,546)</u>
Business-type activities:							
Gas fund	629,900	704,036	-	-	-	74,136	74,136
Water fund	486,997	388,744	-	-	-	(98,253)	(98,253)
Sewer fund	393,111	328,399	-	-	-	(64,712)	(64,712)
Total business-type activities	<u>1,510,008</u>	<u>1,421,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,829)</u>	<u>(88,829)</u>
Total primary government	<u>2,977,813</u>	<u>1,760,103</u>	<u>64,335</u>	<u>-</u>	<u>(1,064,546)</u>	<u>(88,829)</u>	<u>(1,153,375)</u>
Totals	<u>\$ 2,977,813</u>	<u>\$ 1,760,103</u>	<u>\$ 64,335</u>	<u>\$ -</u>	<u>(1,064,546)</u>	<u>(88,829)</u>	<u>(1,153,375)</u>
<b>General revenues:</b>							
Taxes							
Property and motor vehicle taxes					241,212		241,212
Occupational tax					337,790		337,790
Franchise tax					25,140		25,140
License and permits					110,314		110,314
Miscellaneous					43,349	48,733	92,082
Interest					4,898	517	5,415
Transfers, net					117,300	(117,300)	-
Total general revenues					<u>880,003</u>	<u>(68,050)</u>	<u>811,953</u>
Change in net position					(184,543)	(156,879)	(341,422)
Net position-beginning					<u>4,834,676</u>	<u>5,642,493</u>	<u>10,477,169</u>
Net position-ending					<u>\$ 4,650,133</u>	<u>\$ 5,485,614</u>	<u>\$ 10,135,747</u>

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

**CITY OF HICKMAN, KENTUCKY**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash on hand and in banks	\$ 65,443	\$ 9,219	\$ 74,662
Restricted cash	2,261,560	441,487	2,703,047
Receivables (net):			
Property tax	1,754	-	1,754
Other	9,811	-	9,811
Interfund receivable	501,286	-	501,286
Total assets	\$ 2,839,854	\$ 450,706	\$ 3,290,560
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Encumbrances	\$ 22,542	\$ -	\$ 22,542
Provision for compensated absences	18,204	-	18,204
Total liabilities	40,746	-	40,746
 Fund balances:			
Nonspendable	-	274,306	274,306
Restricted	2,261,560	167,181	2,428,741
Assigned	-	9,219	9,219
Unassigned	537,548	-	537,548
Total fund balances	2,799,108	450,706	3,249,814
Total liabilities and fund balances	\$ 2,839,854	\$ 450,706	\$ 3,290,560

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

Balance sheet-Governmental funds balances	\$ 3,249,814
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds, net of accumulated depreciation.	4,494,397
Deferred outflows of resources are expensed in the current period and, therefore, are not reported in the governmental funds.	176,646
Net pension obligation is not due and payable in the current period and, therefore, are not reported in the governmental funds.	(575,481)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,695,243)
Net position of governmental activities	\$ 4,650,133

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, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Levied for general purposes	\$ 577,140	\$ -	\$ 577,140
Levied for special purposes	27,002	-	27,002
License and permits	110,314	-	110,314
Intergovernmental	17,268	47,067	64,335
Charges for services	330,680	8,244	338,924
Fines and forfeitures	3,102	-	3,102
Interest	351	4,547	4,898
Miscellaneous	40,247	-	40,247
Total revenues	<u>1,106,104</u>	<u>59,858</u>	<u>1,165,962</u>
<b>EXPENDITURES</b>			
Current:			
General government	821,754	11,417	833,171
Public safety	296,745	-	296,745
Public works	96,147	17,441	113,588
Debt service:			
Principal retirement	22,938	-	22,938
Interest	10,945	-	10,945
Total expenditures	<u>1,248,529</u>	<u>28,858</u>	<u>1,277,387</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(142,425)</u>	<u>31,000</u>	<u>(111,425)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt	2,693,000	-	2,693,000
Operating transfers in	142,100	-	142,100
Operating transfers out	(24,800)	-	(24,800)
Total other financing sources(uses)	<u>2,810,300</u>	<u>-</u>	<u>2,810,300</u>
Net changes in fund balances	2,667,875	31,000	2,698,875
FUND BALANCES, beginning	<u>131,233</u>	<u>419,706</u>	<u>550,939</u>
FUND BALANCES, ending	<u>\$ 2,799,108</u>	<u>\$ 450,706</u>	<u>\$ 3,249,814</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, 2016**

**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:	\$ 2,698,875
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 exceeded capital assets in the current period.	(154,588)
Pension expense related to long-term net position obligations that is not included in the governmental funds	(58,768)
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.	(2,693,000)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	<u>22,938</u>
Change in net position governmental activities	<u><u>\$ (184,543)</u></u>

**CITY OF HICKMAN, KENTUCKY**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	<b>Business-Type Activities</b>			
	<b>Enterprise Funds</b>			
	Gas System	Water System	Sewer System	Totals
<b>ASSETS</b>				
Current assets:				
Cash on hand and in banks	\$ 250,487	\$ 56,584	\$ 105,231	\$ 412,302
Receivables (net)				
Accounts receivable, billed, net	26,015	32,745	24,774	83,534
Prepaid natural gas	95,609	-	-	95,609
Total current assets	<u>372,111</u>	<u>89,329</u>	<u>130,005</u>	<u>591,445</u>
Noncurrent assets				
Restricted cash	94,636	60,736	-	155,372
Capital assets				
Land	650	16,703	-	17,353
Construction in Progress	153,144	365,189	-	518,333
Plant and equipment	806,511	4,191,824	6,972,252	11,970,587
Less accumulated depreciation	(777,469)	(2,322,296)	(3,713,325)	(6,813,090)
Total noncurrent assets	<u>277,472</u>	<u>2,312,156</u>	<u>3,258,927</u>	<u>5,848,555</u>
Total assets	<u>649,583</u>	<u>2,401,485</u>	<u>3,388,932</u>	<u>\$ 6,440,000</u>
<b>DEFERRED OUTFLOWS</b>				
Deferred amounts related to pension	63,958	48,730	15,228	127,916
Total deferred outflows of resources	<u>63,958</u>	<u>48,730</u>	<u>15,228</u>	<u>127,916</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 713,541</u>	<u>\$ 2,450,215</u>	<u>\$ 3,404,160</u>	<u>\$ 6,567,916</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 3,550	\$ -	\$ -	\$ 3,550
Meter deposits with accrued interest	94,636	60,736	-	155,372
Provision for compensated absences	3,889	1,476	-	5,365
Total current liabilities	<u>102,075</u>	<u>62,212</u>	<u>-</u>	<u>164,287</u>
Noncurrent liabilities				
Pension liability	208,364	158,753	49,611	416,728
Notes payable, less current portion	-	-	1	1
Internal balances	148,107	353,179	-	501,286
Total noncurrent liabilities	<u>356,471</u>	<u>511,932</u>	<u>49,612</u>	<u>918,015</u>
Total liabilities	<u>458,546</u>	<u>574,144</u>	<u>49,612</u>	<u>1,082,302</u>
<b>DEFERRED INFLOWS</b>				
Deferred amounts related to pension	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>\$ 458,546</u>	<u>\$ 574,144</u>	<u>\$ 49,612</u>	<u>\$ 1,082,302</u>
<b>NET POSITION</b>				
Investment in capital assets, net of related debt	34,729	1,898,241	3,258,926	5,191,896
Unrestricted (deficit)	220,266	(22,170)	95,622	293,718
Total net position	<u>\$ 254,995</u>	<u>\$ 1,876,071</u>	<u>\$ 3,354,548</u>	<u>\$ 5,485,614</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, 2016**

	Business-Type Activities			Totals
	Enterprise Funds			
	Gas System	Water System	Sewer System	
<b>Operating revenues:</b>				
Charges for services	\$ 704,036	\$ 388,744	\$ 328,399	\$ 1,421,179
Other miscellaneous revenues	2,933	3,742	42,058	48,733
Total operating revenues	<u>706,969</u>	<u>392,486</u>	<u>370,457</u>	<u>1,469,912</u>
<b>Operating expenses:</b>				
Utility purchases	379,176	-	-	379,176
General expenses	31,821	74,650	57,934	164,405
Salaries and related expenses	93,985	86,612	41,033	221,630
Employee benefits	57,666	45,818	14,850	118,334
Insurance	35,800	32,066	19,200	87,066
Chemicals	-	45,315	16,031	61,346
Purchase power	-	84,852	69,794	154,646
Fuel and vehicle expense	4,998	3,614	10,150	18,762
Professional fees	21,833	15,892	20,639	58,364
Depreciation	4,294	97,105	143,460	244,859
Total operating expense	<u>629,573</u>	<u>485,924</u>	<u>393,091</u>	<u>1,508,588</u>
Operating income (loss)	<u>77,396</u>	<u>(93,438)</u>	<u>(22,634)</u>	<u>(38,676)</u>
<b>Nonoperating revenues (expense)</b>				
Interest revenue	297	102	118	517
Operating transfers in (out)	(51,182)	882	(67,000)	(117,300)
Interest expense	(327)	(1,073)	(20)	(1,420)
Total nonoperating revenue (expense)	<u>(51,212)</u>	<u>(89)</u>	<u>(66,902)</u>	<u>(118,203)</u>
Income (loss) before contributions	26,184	(93,527)	(89,536)	(156,879)
<b>Capital contributions</b>				
Change in net position	26,184	(93,527)	(89,536)	(156,879)
Total net position-beginning	<u>228,811</u>	<u>1,969,598</u>	<u>3,444,084</u>	<u>5,642,493</u>
Total net position-ending	<u>\$ 254,995</u>	<u>\$ 1,876,071</u>	<u>\$ 3,354,548</u>	<u>\$ 5,485,614</u>

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

**CITY OF HICKMAN, KENTUCKY  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Business-Type Activities- Enterprise Funds</b>			<b>Totals</b>
	<b>Gas System</b>	<b>Water System</b>	<b>Sewer System</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 719,387	\$ 391,151	\$ 328,547	\$ 1,439,085
Payments to suppliers	(530,133)	(256,389)	(193,748)	(980,270)
Payments for employees	(130,946)	(115,863)	(50,816)	(297,625)
Other receipts/payments	2,933	3,742	42,058	48,733
Net cash provided by operating activities	<u>61,241</u>	<u>22,641</u>	<u>126,041</u>	<u>209,923</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund transfers in(out) to other funds	(51,182)	882	(67,000)	(117,300)
Net cash provided by noncapital financing activities	<u>(51,182)</u>	<u>882</u>	<u>(67,000)</u>	<u>(117,300)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Net proceeds from interfunds	148,107	353,179		501,286
Purchase of capital assets	(153,144)	(404,950)	(49,351)	(607,445)
Interest paid on debt	(327)	(1,073)	(20)	(1,420)
Net cash provided by capital and related financing activities	<u>(5,364)</u>	<u>(52,844)</u>	<u>(49,371)</u>	<u>(107,579)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest	297	102	118	517
Net cash provided by investing activities	<u>297</u>	<u>102</u>	<u>118</u>	<u>517</u>
Net change in cash	4,992	(29,219)	9,788	(14,439)
Balances-beginning of year	340,131	146,539	95,443	582,113
Balances-end of year	<u>\$ 345,123</u>	<u>\$ 117,320</u>	<u>\$ 105,231</u>	<u>\$ 567,674</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating expenses:</b>				
Operating income (loss)	\$ 77,396	\$ (93,438)	\$ (22,634)	\$ (38,676)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	4,294	97,105	143,460	244,859
(Increase) decrease in:				
Accounts receivable	8,798	(1,393)	148	7,553
Prepaid utility purchases	(55,922)	-	-	(55,922)
Deferred outflows	(45,546)	(34,702)	(10,844)	(91,092)
Increase (decrease) in:				
Accounts payable and accrued expenses	(583)	-	-	(583)
Provision for compensated absences	(573)	356	-	(217)
Meter deposits	6,553	3,800	-	10,353
Pension liability	81,104	61,793	19,311	162,208
Deferred inflows	(14,280)	(10,880)	(3,400)	(28,560)
Net cash provided by operating activities	<u>\$ 61,241</u>	<u>\$ 22,641</u>	<u>\$ 126,041</u>	<u>\$ 209,923</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**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.

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.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Government-Wide And Fund Financial Statements- (Continued)

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 statement of position will sometimes report a separate section 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.

**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.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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 preceding 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.

**FIXED ASSETS**

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

**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.



**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**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.
- 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.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

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

**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.

**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 City of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the City 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, 2016, 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, 2016**

**NOTE E-EMPLOYEE RETIREMENT SYSTEM (CERS)**

A. Plan Description

The City has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the City of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. 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 17.06 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5% (nonhazardous) and 8% (hazardous) of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the City based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% (nonhazardous) and 7.5% (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The City contribution for FY 2014 was \$84,618 FY 2015 was \$87,677, and FY 2016 was \$74,110.

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.

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:

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE E-EMPLOYEE RETIREMENT SYSTEM (CERS)- (Continued)**

KRS also issues a proportionate share audit report that includes the total pension liability for CERS determined by actuarial valuation as well as each participating county's proportionate share. The Schedules of Employer Allocations and Pension Amounts by Employer report and the related actuarial tables are available online at <https://kyret.ky.gov/employers/GASB/Pages/GASB-Library.aspx>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

**B. Net Pension Liability**

The City net pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	3.25 percent
<b>Salary Increases</b>	4.0 percent, average, including inflation
<b>Investment Rate of Return</b>	7.50 percent., net of pension plant investment expense including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000

Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Discount rate assumptions:

**Discount rate:** The discount rate used to measure the total pension liability was 7.5%

**Projected cash flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in anticipated gains on actuarial value of assets over the first four years of projection period.

**Long term rate of return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market the alters expected returns in future years.

**Municipal bond rate:** The discount rate determination does not use a municipal bond rate.

**Periods of projected benefit payments:** Projected future benefit payments for all current plan members were projected through 2117.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE E-EMPLOYEE RETIREMENT SYSTEM (CERS)- (Continued)**

B. Net Pension Liability-Continued

**Assumed assets allocation:** The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Combined equity	44%	5.40%
Combined fixed income	19%	1.50%
Real return (Diversified Inflation Strategies)	10%	3.50%
Real estate	5%	4.50%
Absolute return (Diversified Hedge Funds)	10%	4.25%
Private equity	10%	8.50%
Cash	2%	-0.25%
Total	100%	

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 7.5% based on a blending of the factors described above.

**Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the Board’s allocated portion of the net pension liability (“NPL”) of the System, calculated using the discount rate of 7.5 percent, as well as what the Board’s allocated portion of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City of Hickman's Net Pension Liability	\$ 1,266,678	\$ 992,209	\$ 757,151

**Employer’s portion of the collective Net Pension Liability:** The City proportionate share of the Plan’s net pension liability, as indicated in the prior table, is \$992,209. The City proportionated share of the CERS plan was approximately 0.02308% for Nonhazardous service employees. The liability was distributed based on 2015 actual employer contributions to the plan.

**Measurement date:** June 30, 2015 is the actuarial valuation date upon which the total pension liability is based.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE E-EMPLOYEE RETIREMENT SYSTEM (CERS)- (Continued)**

B. Net Pension Liability-Continued

**Changes in assumptions and benefit terms:**

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**Method and assumptions used in calculations of actuarially determined contributions.**

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Inflation	3.25 percent
Salary increase	4.00, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

**Pension expense:** The City proportionated share of Plan pension expense was \$156,754 for nonhazardous service employees.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE E-EMPLOYEE RETIREMENT SYSTEM (CERS)- (Continued)**

B. Net Pension Liability-Continued

**Deferred Outflows and Deferred Inflows:** Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled as deferred inflows. If they increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year.

The information below provides a summary of the deferred inflows and outflows.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,246	
Difference between projected and actual investment earnings on Plan investments	8,894	
Changes in proportion & differences between employers contributions and proportion share of contributions	113,258	-
Change of assumptions	100,054	
Employer contributions subsequent to the measurement date	74,110	-
Total	<u>\$ 304,562</u>	<u>\$ -</u>

Deferred inflows of resources resulting from the differences between projected and actual investments earnings on Plan investments, differences between expected and actual and changes in assumption are amortized over a five year period. Deferred outflows of resources resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2017.

**Deferred Inflows of Resources**

Original Deferral Year	Original Deferral Amount	2016	2017	2018	2019	2020
2014	\$ 68,000	\$ (13,600)	\$ (13,600)	\$ (13,600)	\$ (13,600)	\$ (13,600)
2015	(54,400)		13,600	13,600	13,600	13,600
	<u>\$ 13,600</u>	<u>\$ (13,600)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization -2016						<u>\$ 13,600</u>
Unamortized Amount- 2016						<u>\$ -</u>

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE E-EMPLOYEE RETIREMENT SYSTEM (CERS)- (Continued)**

B. Net Pension Liability-Continued

**Deferred Outflows of Resources**

Original Deferral Year	Original Deferral Amount	2016	2017	2018	2019	2020
2015	\$ 230,452		\$ 57,613	\$ 57,613	\$ 57,613	\$ 57,613
	\$ 230,452	\$ -	\$ 57,613	\$ 57,613	\$ 57,613	\$ 57,613

**NOTE F-CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Not Being Depreciated:				
Land	\$ 161,500	\$ -	\$ -	\$ 161,500
Construction in Progress		70,682		70,682
Total Capital Assets Not Being Depreciated	161,500	70,682		232,182
Other Capital Assets:				
Buildings	1,452,595			1,452,595
Infrastructure	6,767,325			6,767,325
Machinery and Equipment	966,669	11,264		977,933
Total Other Capital Assets	9,186,589	11,264		9,197,853
Accumulated Depreciation:				
Buildings	(777,857)	(29,686)		(807,543)
Infrastructure	(3,221,877)	(156,342)		(3,378,219)
Machinery and Equipment	(699,370)	(50,506)		(749,876)
Total Depreciation	(4,699,104)	(236,534)	-	(4,935,638)
Net Capital Assets	\$ 4,648,985	\$ (154,588)	\$ -	\$ 4,494,397

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

<u>Governmental Activities:</u>	
General Government	\$ 21,684
Police	28,020
Fire	30,005
Public Works (infrastructure)	156,342
Public Works	483
Total Depreciation Expense - Governmental Activities	\$ 236,534



**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE F-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
Construction in Progress		518,333		518,333
Total Capital Assets Not Being Depreciated	<u>17,353</u>	<u>518,333</u>		<u>535,686</u>
Other Capital Assets:				
Plant in Service	11,288,328	89,112		11,377,440
Machinery and Equipment	593,147			593,147
Total Other Capital Assets	<u>11,881,475</u>	<u>89,112</u>		<u>11,970,587</u>
Accumulated Depreciation	<u>(6,568,231)</u>	<u>(244,859)</u>		<u>(6,813,090)</u>
Total Accumulated Depreciation	<u>(6,568,231)</u>	<u>(244,859)</u>		<u>(6,813,090)</u>
Net Capital Assets	<u>\$ 5,330,597</u>	<u>\$ 362,586</u>	<u>\$ -</u>	<u>\$ 5,693,183</u>

**NOTE G-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, 2016 was \$19.

On October 15, 2014 the City entered into a note agreement with Citizens Deposit Bank for acquisition of a police vehicle. The amount financed was \$27,916 at 4.5% for 63 months. The balance due as of June 30, 2016 was \$20,224. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2017	\$ 5,175	\$ 817	\$ 5,992
2018	5,418	575	5,993
2019	5,670	322	5,992
2020	3,961	34	3,995
	<u>\$ 20,224</u>	<u>\$ 1,748</u>	<u>\$ 21,972</u>

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE G-LONG TERM DEBT- (Continued)**

Governmental Activities:

On March 16, 2016 the City entered into Bond Lease Agreement with Kentucky Bond Corporation. The purpose of such debt was to make infrastructure improvements to the City, the Gas System and the Water System. These improvements included new LED lighting, new meters and plant improvements. The total amount financed was \$2,675,000 at various interest rates ranging from 2%-3.5%. Both principal and interest payments are due monthly. The lease agreement will mature on January 1, 2037. Annually debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Annual Debt Service
2017	\$ 18,750	\$ 104,667	\$ 123,417
2018	47,083	88,066	135,149
2019	54,167	87,006	141,173
2020	62,083	85,788	147,871
2021	69,167	84,391	153,558
2022-2026	495,833	391,206	887,039
2027-2031	777,083	296,014	1,073,097
2032-2036	1,092,500	135,286	1,227,786
2037	58,334	2,188	60,522
	<u>\$ 2,675,000</u>	<u>\$ 1,274,612</u>	<u>\$ 3,949,612</u>

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, 2016, the balance due on the line of credit was \$1.

Changes in Long-Term Liabilities

Long-term liabilities activities for the year ended June 30, 2016, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bond Lease	\$ -	\$ 2,675,000	\$ -	\$ 2,675,000	\$ 18,750
Note Payable-Citizens Bank	25,180	-	4,956	20,224	5,175
Note Payable-Citizens Bank-LOC	1	18,000	17,982	19	19
Governmental Activities					
Long-term Liabilities	<u>\$ 25,181</u>	<u>\$ 2,693,000</u>	<u>\$ 22,938</u>	<u>\$ 2,695,243</u>	<u>\$ 23,944</u>
<u>Business-Type Activities:</u>					
Note Payable-Citizens Bank- LOC	\$ 1	\$ -	\$ -	\$ 1	\$ -
Business-Type Activities					
Long-term Liabilities	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 0</u>

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2016**

**NOTE H –INTEREST ON DEBT**

Interest on debt on the Statement of Activities includes \$10,945 in interest on financing obligations.

**NOTE I-INTERFUND TRANSACTIONS**

Interfund loans at June 30, 2016 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 501,286	\$ -
Proprietary Funds		501,286
	<u>\$ 501,286</u>	<u>\$ 501,286</u>

**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, 2016, 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 January 11, 2017, the date the financial statements were available to be issued.

**CITY OF HICKMAN, KENTUCKY  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS BASED ON  
PARTICIPATION IN COUNTY RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015
Total Net Pension Liability for County Employees Retirement System	\$ 4,299,525,565	\$ 3,244,377,000
Employer's Proportion (Percentage) of Net Pension Liability	0.02308%	0.01868%
Employers Proportion (Amount) of Net Pension Liability	\$ 992,209	\$ 606,000
Employer's Covered-Employer payroll	\$ 434,408	\$ 490,761
Employer's Proportionate Share (Amount) of Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll	228.40%	123.48%
Total Pension Plan's Fiduciary Net Position	\$ 6,440,800	\$ 6,528,146
Total Pension's Plan Pension Liability	\$ 10,740,325	\$ 9,772,523
Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability	59.97%	66.80%

**CITY OF HICKMAN, KENTUCKY  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
COUNTY EMPLOYEES' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015
Statutorily required contribution for pension	\$ 74,110	\$ 87,677
System's contributions in relation to the statutorily required contribution	(74,110)	(87,677)
Annual contribution deficiency (excess)	\$ -	\$ -
System's contributions as a percentage of statutorily required contribution for pension	100.00%	100.00%
System's Covered-Employee payroll	\$ 434,408	\$ 490,761
Contributions as a percentage of its covered employee payroll	17.06%	17.87%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City has present information for those years which information is available.

**CITY OF HICKMAN, KENTUCKY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ 131,233	\$ 131,233
<b>Resources (inflows):</b>				
Taxes				
Property	187,300	187,300	188,190	890
Payroll	311,000	311,000	337,790	26,790
Franchise taxes	25,000	25,000	25,140	140
In Lieu of taxes	26,000	26,000	26,020	20
Prop tax/ fire appar	26,000	26,000	27,002	1,002
Intergovernmental	67,694	67,694	17,268	(50,426)
Fines and forfeitures	5,900	5,900	3,102	(2,798)
License and permits	112,750	112,750	110,314	(2,436)
Interest received	-	190	351	161
Charges for services	329,440	329,440	330,680	1,240
Miscellaneous	16,000	29,972	40,247	10,275
Borrowed monies	-	18,000	2,693,000	2,675,000
Transfer in	142,171	142,171	142,100	(71)
Amounts available for appropriation	<u>1,249,255</u>	<u>1,281,417</u>	<u>4,072,437</u>	<u>2,791,020</u>
<b>Charges to appropriations (outflows):</b>				
General government	801,667	801,667	849,644	47,977
Public safety	303,714	303,714	302,738	(976)
Public works	143,874	143,874	96,147	(47,727)
Transfers out	-	-	24,800	24,800
Total charges to appropriations	<u>1,249,255</u>	<u>1,249,255</u>	<u>1,273,329</u>	<u>24,074</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ 32,162</u>	<u>\$ 2,799,108</u>	<u>\$ 2,766,946</u>

**CITY OF HICKMAN, KENTUCKY  
BUDGETARY COMPARISON STATEMENT  
GENERAL FUND-NOTE TO RSI  
For The Year Ended June 30, 2016**

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

	<u>General Fund</u>
Sources/inflows of resources:	
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 4,072,437
Differences-budget to GAAP	
The beginning fund balance is a budgetary resource, but this is not a current year revenue for financial reporting purposes	(131,233)
Proceeds from debt are inflows of budgetary resources, but not revenues for financial reporting purposes	(2,693,000)
Transfers from other funds are inflows of budgetary resources, but not revenues for financial reporting purposes	<u>(142,100)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 1,106,104</u>
Uses/outflows of resources:	
Actual amount "total charges to appropriations" from the budgetary comparison schedule	\$ 1,273,329
Differences-budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(24,800)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 1,248,529</u>

**CITY OF HICKMAN, KENTUCKY**  
**COMBINING BALANCE SHEET-NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Municipal Road Aid</u>	<u>Total</u>	<u>Cemetery Care</u>	
<b>ASSETS</b>				
Cash on hand and in banks	\$ -	\$ -	\$ 9,219	\$ 9,219
Restricted cash	167,181	167,181	274,306	441,487
Total assets	<u>167,181</u>	<u>167,181</u>	<u>283,525</u>	<u>450,706</u>
<b>FUND BALANCES</b>				
Fund balances:				
Nonspendable			274,306	274,306
Restricted	167,181	167,181	-	167,181
Assigned	-	-	9,219	9,219
Total fund balances	<u>\$ 167,181</u>	<u>\$ 167,181</u>	<u>\$ 283,525</u>	<u>\$ 450,706</u>



**CITY OF HICKMAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Special Revenue</u>	<u>Permanent</u>	<u>Total Nonmajor</u>
	Municipal Road	Fund	Governmental
	Aid	Cemetery	Funds
		Care	
<b>REVENUES</b>			
Intergovernmental	\$ 47,067	\$ -	\$ 47,067
Charges for services	-	8,244	8,244
Investment earnings	300	4,247	4,547
Total revenues	<u>47,367</u>	<u>12,491</u>	<u>59,858</u>
<b>EXPENDITURES</b>			
General government	-	11,417	11,417
Public works	17,441	-	17,441
Total expenditures	<u>17,441</u>	<u>11,417</u>	<u>28,858</u>
Net change in fund balances	29,926	1,074	31,000
Fund balances-beginning	<u>137,255</u>	<u>282,451</u>	<u>419,706</u>
Fund balances-ending	<u>\$ 167,181</u>	<u>\$ 283,525</u>	<u>\$ 450,706</u>

**CITY OF HICKMAN, KENTUCKY**  
**STATEMENT OF DETAILED EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Government						Public Works	Public Safety	
	Legislative	Executive	Finance & Administrative	Legal Council	General Services	Code Enforcement	Street & Parks	Police	Fire
Salaries	\$ 18,900	\$ 48,000	\$ 64,809	\$ -	\$ 4,012	\$ 2,320	\$ 11,902	\$ 161,459	\$ 18,559
Payroll taxes	1,446	3,450	4,412	-	-	170	889	11,764	823
Employee benefits	-	100	15,183	-	-	-	50	13,388	-
Retirement benefits	-	8,185	11,825	-	596	-	1,590	20,467	943
Unemployment	-	-	-	-	6,616	-	-	-	-
Worker compensation	-	-	-	-	-	-	3,913	9,293	2,625
Professional services	-	-	9,093	10,200	20,871	173	-	181	952
Travel	813	1,011	91	-	-	-	-	696	-
Training	1,096	1,214	-	-	-	-	-	525	40
Dues/subscriptions	3,715	-	170	-	-	-	-	-	235
Telephone	-	-	3,812	-	-	-	-	1,577	1,577
Advertising	-	-	1,063	-	2,317	-	-	-	-
Insurance	-	-	-	75	39,295	-	-	-	-
Office supplies	-	19	6,476	-	-	-	-	323	215
Printing	-	-	4,217	-	-	-	-	-	-
Postage	-	-	6,739	-	-	-	-	-	-
Operating supplies	-	-	1,741	-	-	-	5,591	821	223
Operating equipment	-	-	538	-	-	-	500	68	8,098
Fuel	-	676	-	-	-	-	6,548	6,374	912
Maintenance	-	129	-	-	1,243	9,400	22,482	2,986	14,352
Uniforms	-	-	-	-	-	-	563	2,106	-
Utilities	-	-	-	-	11,481	-	42,119	6,849	8,314
Garbage collection	-	-	-	-	228,049	-	-	-	-
Contingencies	9,144	-	-	-	4,628	-	-	-	-
Animal control	-	-	-	-	860	-	-	-	-
Ambulance fees	-	-	-	-	102,436	-	-	-	-
Dispatch fees	-	-	-	-	60,000	-	-	-	-
Economic development	-	-	-	-	7,000	-	-	-	-
Debt retirement	-	-	17,982	-	-	-	-	4,956	-
Debt interest	-	-	9,908	-	-	-	-	1,037	-
Capital outlay	-	-	81,945	-	-	-	-	-	-
Sub-total	35,114	62,784	240,004	10,275	489,404	12,063	96,147	244,870	57,868
Operating transfers out	-	-	-	-	24,800	-	-	-	-
Total	\$ 35,114	\$ 62,784	\$ 240,004	\$ 10,275	\$ 514,204	\$ 12,063	\$ 96,147	\$ 244,870	\$ 57,868



**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, 2016, 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 January 11, 2017.

**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*

January 11, 2017