

**CITY OF HICKMAN, KENTUCKY
AUDIT REPORT
JUNE 30, 2020**

**CITY OF HICKMAN, KENTUCKY
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FOR THE YEAR ENDED JUNE 30, 2020**

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To the City of Hickman, Kentucky
Honorable David Carlton, 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, 2020, 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, 2020, 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 Carlton, 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 County Employees' Retirement System and the Schedule of Employer's Contributions, the Schedule of Net OPEB Liability and Related Ratios Based on Participation in County Employees' Retirement System and Schedule of Employer's OPEB Contributions 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 as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining fund financial statements have 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 28, 2021, 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 & Towery

Hickman, Kentucky
January 28, 2021

CITY OF HICKMAN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash on hand and in banks | \$ 59,066 | \$ 628,241 | \$ 687,307 |
| Restricted cash | 1,494,496 | 183,116 | 1,677,612 |
| Receivables (net): | | | |
| Property tax | 4,557 | | 4,557 |
| Accounts receivable, billed, net | - | 109,995 | 109,995 |
| Other receivable | 10,526 | 149,706 | 160,232 |
| Internal balances | 2,080,080 | - | 2,080,080 |
| Prepaid natural gas | | 75,234 | 75,234 |
| Capital assets: | | | |
| Non-depreciable | 161,500 | 574,118 | 735,618 |
| Depreciable, net | 3,939,277 | 6,447,627 | 10,386,904 |
| Total assets | <u>7,749,502</u> | <u>8,168,037</u> | <u>15,917,539</u> |
| DEFERRED OUTFLOWS | | | |
| Deferred amounts related to pension | 172,886 | 63,880 | 236,766 |
| Deferred amounts related to OPEB | 72,198 | 26,703 | 98,901 |
| Total deferred outflows of resources | <u>245,084</u> | <u>90,583</u> | <u>335,667</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 7,994,586</u> | <u>\$ 8,258,620</u> | <u>\$ 16,253,206</u> |
| LIABILITIES | | | |
| Accounts payable | 59,366 | 144,289 | 203,655 |
| Meter deposits | | 183,116 | 183,116 |
| Unearned revenues | 306,833 | | 306,833 |
| Compensated absences | 16,803 | 4,322 | 21,125 |
| Internal balances | - | 2,080,080 | 2,080,080 |
| Current portion of long-term debt | 69,167 | 9,449 | 78,616 |
| Total current liabilities | <u>452,169</u> | <u>2,421,256</u> | <u>2,873,425</u> |
| Noncurrent liabilities | | | |
| Pension liability | 755,022 | 278,976 | 1,033,998 |
| Net OPEB liability | 180,466 | 66,748 | 247,214 |
| Notes payable | 2,508,925 | 371,383 | 2,880,308 |
| Total noncurrent liabilities | <u>3,444,413</u> | <u>717,107</u> | <u>4,161,520</u> |
| Total liabilities | <u>3,896,582</u> | <u>3,138,363</u> | <u>7,034,945</u> |
| DEFERRED INFLOWS | | | |
| Deferred amounts related to pension | 154,582 | 57,117 | 211,699 |
| Deferred amounts related to OPEB | 116,865 | 43,223 | 160,088 |
| Total deferred inflows of resources | <u>271,447</u> | <u>100,340</u> | <u>371,787</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | <u>\$ 4,168,029</u> | <u>\$ 3,238,703</u> | <u>\$ 7,406,732</u> |
| NET POSITION | | | |
| Investments in capital assets, net of related debt | 3,602,765 | 4,432,147 | 8,034,912 |
| Restricted | 1,187,663 | - | 1,187,663 |
| Unrestricted | (963,871) | 587,770 | (376,101) |
| Total net position | <u>\$ 3,826,557</u> | <u>\$ 5,019,917</u> | <u>\$ 8,846,474</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, 2020**

| | 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 |
| Functions and Programs | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 1,143,237 | \$ 376,962 | \$ 38,554 | \$ - | \$ (727,721) | \$ - | \$ (727,721) |
| Public safety | 317,181 | | 27,529 | | (289,652) | - | (289,652) |
| Public works | 228,347 | | 47,537 | | (180,810) | - | (180,810) |
| Interest on debt | 86,329 | - | - | - | (86,329) | - | (86,329) |
| Total governmental activities | <u>1,775,094</u> | <u>376,962</u> | <u>113,620</u> | <u>-</u> | <u>(1,284,512)</u> | <u>-</u> | <u>(1,284,512)</u> |
| Business-type activities: | | | | | | | |
| Gas fund | 722,246 | 705,710 | | - | - | (16,536) | (16,536) |
| Water fund | 571,634 | 454,592 | | - | - | (117,042) | (117,042) |
| Sewer fund | 409,853 | 400,274 | - | 153,807 | - | 144,228 | 144,228 |
| Total business-type activities | <u>1,703,733</u> | <u>1,560,576</u> | <u>-</u> | <u>153,807</u> | <u>-</u> | <u>10,650</u> | <u>10,650</u> |
| Total primary government | <u>3,478,827</u> | <u>1,937,538</u> | <u>113,620</u> | <u>153,807</u> | <u>(1,284,512)</u> | <u>10,650</u> | <u>(1,273,862)</u> |
| Totals | <u>\$ 3,478,827</u> | <u>\$ 1,937,538</u> | <u>\$ 113,620</u> | <u>\$ 153,807</u> | <u>(1,284,512)</u> | <u>10,650</u> | <u>(1,273,862)</u> |
| General revenues: | | | | | | | |
| Taxes | | | | | | | |
| Property and motor vehicle taxes | | | | | 264,603 | | 264,603 |
| Occupational tax | | | | | 374,097 | | 374,097 |
| Franchise tax | | | | | 28,564 | | 28,564 |
| License and permits | | | | | 494,865 | | 494,865 |
| Miscellaneous | | | | | 30,228 | 65,989 | 96,217 |
| Interest | | | | | 16,373 | 2,525 | 18,898 |
| Lease reimbursement from water and gas | | | | | 75,493 | | 75,493 |
| Transfers, net | | | | | 18,837 | (18,837) | - |
| Total general revenues | | | | | <u>1,303,060</u> | <u>49,677</u> | <u>1,352,737</u> |
| Change in net position | | | | | 18,548 | 60,327 | 78,875 |
| Net position-beginning | | | | | <u>3,808,009</u> | <u>4,959,590</u> | <u>8,767,599</u> |
| Net position-ending | | | | | <u>\$ 3,826,557</u> | <u>\$ 5,019,917</u> | <u>\$ 8,846,474</u> |

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

CITY OF HICKMAN, KENTUCKY
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General | Other Governmental Funds | Total Governmental Funds |
|--|--------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| Cash on hand and in banks | \$ 51,353 | \$ 7,713 | \$ 59,066 |
| Restricted cash | 1,046,869 | 447,627 | 1,494,496 |
| Receivables (net): | | | |
| Property tax | 4,557 | | 4,557 |
| Other | 10,526 | | 10,526 |
| Interfund receivable | 2,082,329 | 348 | 2,082,677 |
| Total assets | \$ 3,195,634 | \$ 455,688 | \$ 3,651,322 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Encumbrances | \$ 57,744 | \$ 1,622 | \$ 59,366 |
| Unearned revenue | 306,833 | | 306,833 |
| Interfund payable | 348 | 2,249 | 2,597 |
| Provision for compensated absences | 15,987 | 816 | 16,803 |
| Total liabilities | 380,912 | 4,687 | 385,599 |
| Fund balances: | | | |
| Nonspendable | | 274,307 | 274,307 |
| Restricted | 740,036 | 173,325 | 913,361 |
| Assigned | | 3,369 | 3,369 |
| Unassigned | 2,074,686 | - | 2,074,686 |
| Total fund balances | 2,814,722 | 451,001 | 3,265,723 |
| Total liabilities and fund balances | \$ 3,195,634 | \$ 455,688 | \$ 3,651,322 |

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

| | |
|--|--------------|
| Balance sheet-Governmental funds balances | \$ 3,265,723 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in funds, net of accumulated depreciation. | 4,100,777 |
| Deferred outflows of resources are expensed in the current period and, therefore, are not reported in the governmental funds. | 245,084 |
| Net pension obligation is not due and payable in the current period and, therefore, are not reported in the governmental funds. | (755,022) |
| Net OPEB obligation is not due and payable in the current period and, therefore, are not reported in the governmental funds. | (180,466) |
| Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds. | (271,447) |
| Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds. | (2,578,092) |
| Net position of governmental activities | \$ 3,826,557 |

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, 2020

| | General | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Taxes: | | | |
| Levied for general purposes | \$ 639,870 | \$ - | \$ 639,870 |
| Levied for special purposes | 27,394 | | 27,394 |
| License and permits | 451,538 | 43,327 | 494,865 |
| Intergovernmental | 38,864 | 74,756 | 113,620 |
| Charges for services | 371,120 | 5,842 | 376,962 |
| Fines and forfeitures | 812 | | 812 |
| Interest | 10,547 | 5,826 | 16,373 |
| Miscellaneous | 29,416 | | 29,416 |
| Lease Reimbursement from water and gas | 75,493 | - | 75,493 |
| Total revenues | <u>1,645,054</u> | <u>129,751</u> | <u>1,774,805</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 916,198 | 97,940 | 1,014,138 |
| Public safety | 282,416 | | 282,416 |
| Public works | 152,372 | 411 | 152,783 |
| Debt service: | | | |
| Principal retirement | 107,469 | | 107,469 |
| Interest | 86,329 | - | 86,329 |
| Total expenditures | <u>1,544,784</u> | <u>98,351</u> | <u>1,643,135</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>100,270</u> | <u>31,400</u> | <u>131,670</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from debt | 130,560 | | 130,560 |
| Operating transfers in | 36,837 | 5,709 | 42,546 |
| Operating transfers out | <u>(23,709)</u> | <u>-</u> | <u>(23,709)</u> |
| Total other financing sources(uses) | <u>143,688</u> | <u>5,709</u> | <u>149,397</u> |
| Net changes in fund balances | 243,958 | 37,109 | 281,067 |
| FUND BALANCES, beginning | <u>2,570,764</u> | <u>413,892</u> | <u>2,984,656</u> |
| FUND BALANCES, ending | <u>\$ 2,814,722</u> | <u>\$ 451,001</u> | <u>\$ 3,265,723</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, 2020

**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: | \$ 281,067 |
| 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. | (126,368) |
| Pension expense related to long-term net position obligations that is not included in the governmental funds | (95,188) |
| OPEB expense related to long-term net position obligations that is not included in the governmental funds | (17,872) |
| 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. | (130,560) |
| Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position | <u>107,469</u> |
| Change in net position governmental activities | <u><u>\$ 18,548</u></u> |

CITY OF HICKMAN, KENTUCKY
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Business-Type Activities | | | |
|---|---------------------------------|---------------------|---------------------|---------------------|
| | Enterprise Funds | | | |
| | Gas System | Water System | Sewer System | Totals |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash on hand and in banks | \$ 473,914 | \$ 43,639 | \$ 110,688 | \$ 628,241 |
| Receivables (net) | | | | |
| Accounts receivable, billed, net | 32,600 | 44,749 | 32,646 | 109,995 |
| Grants receivable | - | - | 149,706 | 149,706 |
| Prepaid natural gas | 75,234 | - | - | 75,234 |
| Internal balances | - | - | - | - |
| Total current assets | <u>581,748</u> | <u>88,388</u> | <u>293,040</u> | <u>963,176</u> |
| Noncurrent assets | | | | |
| Restricted cash | 111,685 | 71,431 | | 183,116 |
| Capital assets | | | | |
| Land | 650 | 16,703 | | 17,353 |
| Construction in Progress | | 385,783 | 170,982 | 556,765 |
| Plant and equipment | 1,501,626 | 5,793,568 | 7,012,711 | 14,307,905 |
| Less accumulated depreciation | <u>(810,684)</u> | <u>(2,758,531)</u> | <u>(4,291,063)</u> | <u>(7,860,278)</u> |
| Total noncurrent assets | <u>803,277</u> | <u>3,508,954</u> | <u>2,892,630</u> | <u>7,204,861</u> |
| Total assets | <u>1,385,025</u> | <u>3,597,342</u> | <u>3,185,670</u> | <u>\$ 8,168,037</u> |
| DEFERRED OUTFLOWS | | | | |
| Deferred amounts related to pension | 50,650 | 13,230 | - | 63,880 |
| Deferred amounts related to OPEB | <u>20,769</u> | <u>5,934</u> | <u>-</u> | <u>26,703</u> |
| Total deferred outflows of resources | <u>71,419</u> | <u>19,164</u> | <u>-</u> | <u>90,583</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | <u>\$ 1,456,444</u> | <u>\$ 3,616,506</u> | <u>\$ 3,185,670</u> | <u>\$ 8,258,620</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 4,842 | \$ 10,761 | \$ 128,686 | \$ 144,289 |
| Meter deposits with accrued interest | 111,685 | 71,431 | | 183,116 |
| Provision for compensated absences | 2,160 | 2,162 | - | 4,322 |
| Current portion of long term debt | <u>-</u> | <u>9,449</u> | <u>-</u> | <u>9,449</u> |
| Total current liabilities | <u>118,687</u> | <u>93,803</u> | <u>128,686</u> | <u>341,176</u> |
| Noncurrent liabilities | | | | |
| Pension liability | 221,195 | 57,781 | - | 278,976 |
| Net OPEB liability | 51,915 | 14,833 | - | 66,748 |
| Notes payable, less current portion | | 371,382 | 1 | 371,383 |
| Internal balances | <u>612,046</u> | <u>1,466,227</u> | <u>1,807</u> | <u>2,080,080</u> |
| Total noncurrent liabilities | <u>885,156</u> | <u>1,910,223</u> | <u>1,808</u> | <u>2,797,187</u> |
| Total liabilities | <u>1,003,843</u> | <u>2,004,026</u> | <u>130,494</u> | <u>3,138,363</u> |
| DEFERRED INFLOWS | | | | |
| Deferred amounts related to pension | 45,287 | 11,830 | - | 57,117 |
| Deferred amounts related to OPEB | <u>33,618</u> | <u>9,605</u> | <u>-</u> | <u>43,223</u> |
| Total deferred inflows of resources | <u>78,905</u> | <u>21,435</u> | <u>-</u> | <u>100,340</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS | <u>\$ 1,082,748</u> | <u>\$ 2,025,461</u> | <u>\$ 130,494</u> | <u>\$ 3,238,703</u> |
| NET POSITION | | | | |
| Investment in capital assets, net of related debt | 79,546 | 1,590,465 | 2,762,136 | 4,432,147 |
| Unrestricted (deficit) | <u>294,150</u> | <u>580</u> | <u>293,040</u> | <u>587,770</u> |
| Total net position | <u>\$ 373,696</u> | <u>\$ 1,591,045</u> | <u>\$ 3,055,176</u> | <u>\$ 5,019,917</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, 2020

| | Business-Type Activities | | | Totals |
|--|---------------------------------|---------------------|---------------------|---------------------|
| | Enterprise Funds | | | |
| | Gas System | Water System | Sewer System | |
| Operating revenues: | | | | |
| Charges for services | \$ 705,710 | \$ 454,592 | \$ 400,274 | \$ 1,560,576 |
| Other miscellaneous revenues | 6,876 | 18,422 | 40,691 | 65,989 |
| Total operating revenues | <u>712,586</u> | <u>473,014</u> | <u>440,965</u> | <u>1,626,565</u> |
| Operating expenses: | | | | |
| Utility purchases | 392,100 | - | - | 392,100 |
| General expenses | 33,714 | 108,243 | 72,423 | 214,380 |
| Salaries and related expenses | 97,601 | 24,458 | - | 122,059 |
| Employee benefits | 91,525 | (110,941) | (39,915) | (59,331) |
| Contracted Services | - | 239,892 | 119,946 | 359,838 |
| Insurance | 34,117 | 29,011 | 8,419 | 71,547 |
| Purchase power | - | 77,445 | 70,769 | 148,214 |
| Fuel and vehicle expense | 2,311 | 2,663 | 8,236 | 13,210 |
| Professional fees | 18,373 | 4,652 | 19,702 | 42,727 |
| Depreciation | 18,666 | 131,892 | 150,147 | 300,705 |
| Total operating expense | <u>688,407</u> | <u>507,315</u> | <u>409,727</u> | <u>1,605,449</u> |
| Operating income (loss) | <u>24,179</u> | <u>(34,301)</u> | <u>31,238</u> | <u>21,116</u> |
| Nonoperating revenues (expense) | | | | |
| Interest revenue | 1,924 | 71 | 530 | 2,525 |
| Capital contributions | | | 153,807 | 153,807 |
| Operating transfers in (out) | (18,614) | 83,306 | (83,529) | (18,837) |
| Interest expense | (33,839) | (64,319) | (126) | (98,284) |
| Total nonoperating revenue (expense) | <u>(50,529)</u> | <u>19,058</u> | <u>70,682</u> | <u>39,211</u> |
| Change in net position | (26,350) | (15,243) | 101,920 | 60,327 |
| Total net position-beginning, restated | <u>400,046</u> | <u>1,606,288</u> | <u>2,953,256</u> | <u>4,959,590</u> |
| Total net position-ending | <u>\$ 373,696</u> | <u>\$ 1,591,045</u> | <u>\$ 3,055,176</u> | <u>\$ 5,019,917</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, 2020**

| | Business-Type Activities- Enterprise Funds | | | Totals |
|---|---|-------------------|-------------------|-------------------|
| | Gas System | Water System | Sewer System | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 725,553 | \$ 453,951 | \$ 396,301 | \$ 1,575,805 |
| Payments to suppliers | (463,451) | (451,145) | (171,900) | (1,086,496) |
| Payments for employees | (132,255) | (29,405) | - | (161,660) |
| Other receipts/payments | 6,876 | 18,422 | 40,691 | 65,989 |
| Net cash provided by operating activities | <u>136,723</u> | <u>(8,177)</u> | <u>265,092</u> | <u>393,638</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | |
| Cash received (paid) interfund receivable/payable | (18,389) | (37,118) | 1,807 | (53,700) |
| Interfund transfers in(out) to other funds | (18,614) | 83,306 | (83,529) | (18,837) |
| Net cash provided by noncapital financing activities | <u>(37,003)</u> | <u>46,188</u> | <u>(81,722)</u> | <u>(72,537)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | |
| Capital contributions | | | 4,101 | 4,101 |
| Acquisition and construction of capital assets | (28,070) | (321,975) | (136,632) | (486,677) |
| Proceeds from debt | | 562,740 | | 562,740 |
| Principal paid on debt | | (241,963) | (39,020) | (280,983) |
| Interest paid on debt | (33,839) | (64,319) | (126) | (98,284) |
| Net cash provided by capital and related financing activities | <u>(61,909)</u> | <u>(65,517)</u> | <u>(171,677)</u> | <u>(299,103)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Interest | 1,924 | 71 | 530 | 2,525 |
| Net cash provided by investing activities | <u>1,924</u> | <u>71</u> | <u>530</u> | <u>2,525</u> |
| Net change in cash | 39,735 | (27,435) | 12,223 | 24,523 |
| Balances-beginning of year | 545,864 | 142,505 | 98,465 | 786,834 |
| Balances-end of year | <u>\$ 585,599</u> | <u>\$ 115,070</u> | <u>\$ 110,688</u> | <u>\$ 811,357</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating expenses: | | | | |
| Operating income (loss) | \$ 24,179 | \$ (34,301) | \$ 31,238 | \$ 21,116 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation | 18,666 | 131,892 | 150,147 | 300,705 |
| Pension/OPEB Expense | 54,891 | (116,358) | (39,914) | (101,381) |
| (Increase) decrease in: | | | | |
| Accounts receivable | 4,099 | (9,325) | (3,973) | (9,199) |
| Prepaid utility purchases | 16,118 | | | 16,118 |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued expenses | 1,046 | 10,761 | 128,686 | 140,493 |
| Provision for compensated absences | 1,980 | 470 | (1,092) | 1,358 |
| Meter deposits with accrued interest | 15,744 | 8,684 | - | 24,428 |
| Net cash provided by operating activities | <u>\$ 136,723</u> | <u>\$ (8,177)</u> | <u>\$ 265,092</u> | <u>\$ 393,638</u> |

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

**INDEX FOR NOTES
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CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, SRO Fund and ABC Fund. Included in the Permanent Fund is the Perpetual Care Fund.

Special Revenue Funds

The Municipal Road Aid Fund, SRO Fund and the ABC Fund are 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, 2020

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, 2020

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

PROPERTY TAX- (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 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 proprietary 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:

| | Capitalization Threshold | Useful Life (Years) |
|-------------------------------------|-----------------------------|------------------------|
| Land | \$ 5,000 | 10-60 |
| Construction in Progress | \$ 5,000 | |
| 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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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.

POSTEMPLOYMENT EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

AMBULANCE COLLECTIONS

The City of Hickman contracts with Twin City Ambulance, Inc for ambulance services. The City bills, collects and remits monthly membership funds. For the fiscal year ended June 30, 2020 the City collected \$150,903 and remitted \$139,206 to Twin City Ambulance, Inc. DBA KenTenn EMS for ambulance fees. The remaining balance of \$11,698 was remitted in July of 2020.

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, 2020, 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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE C-ACCOUNTS RECEIVABLE- (Continued)

Business-Type Activities:

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

NOTE D-OTHER RECEIVABLE

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

NOTE E-EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFIT PLAN (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 city's contribution rate for nonhazardous employees was 24.06 percent (19.3 percent related to pension and 4.76 percent for health insurance).

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 2018 was \$88,690, FY 2019 was \$79,191, and FY 2020 was \$95,087.

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:

| 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, 2020

NOTE E- EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFIT PLAN (CERS) - (Continued)

A. Plan Description

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.

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, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------------|---|
| Inflation | 2.3 percent |
| Salary Increases | 3.30 percent, average, including inflation |
| Investment Rate of Return | 6.25 percent., net of pension plan investment expense including inflation |
| Payroll Growth Rate | 2.00 percent |

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension liability as of June 30, 2018 is determined using these updated benefit provisions.

The Mortality rates for the period after service retirement are according to the MP-2014 mortality improvement scale using a base year of 2019 for all active and retired employees and beneficiaries. The MP-2014 mortality improvement scale using a base year of 2019 set back four years for male and female is used for the period after disability retirement. The actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 18, 2019. 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

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

**NOTE E- EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFIT PLAN (CERS)-
(Continued)**

B. Net Pension Liability-Continued

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 by 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 that 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: The long-term assumed rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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 |
|-----------------------------|--------------------------|---|
| US Equity | 18.75% | 4.30% |
| Non-US Equity | 18.75% | 4.80% |
| Private Equity | 10.00% | 6.65% |
| Specialty Credit/High Yield | 15.00% | 2.60% |
| Core Bonds | 13.50% | 1.35% |
| Cash | 1.00% | 0.20% |
| Real Estate | 5.00% | 4.85% |
| Opportunistic | 3.00% | 2.97% |
| Real Return | 15.00% | 4.10% |
| Total | 100% | |

The long-term expected rate of return on pension plan assets was established by the KRS Board of Trustees at 6.25% 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 City’s allocated portion of the net pension liability (“NPL”) of the System, calculated using the discount rate of 6.25 percent, as well as what the City’s allocated portion of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage-point higher (7.25 percent) than the current rate:

| | 1% Decrease (5.25%) | Current Discount Rate (6.25%) | 1% Increase (7.25%) |
|---|----------------------------|--------------------------------------|----------------------------|
| City of Hickman's Net Pension Liability | \$ 1,293,238 | \$ 1,033,998 | \$ 817,924 |

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 \$1,033,998. The City proportionated share of the CERS plan was approximately 0.01470% for Nonhazardous service employees. The liability was distributed based on 2019 actual employer contributions to the plan.

Measurement date: June 30, 2019 is the measurement date upon which the total pension liability is based.

CITY OF HICKMAN, KENTUCKY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

NOTE E- EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFIT PLAN (CERS)-
 (Continued)

B. Net Pension Liability-Continued

Changes in assumptions and benefit terms:

Anticipated salary increases changed from 3.05% to 3.30%.

Changes since Measurement Date: There were no changes between the measurement date of the collective net pension liability and the employer's reporting date.

Pension expense: The City proportionated share of Plan pension expense was \$98,770 for nonhazardous service employees.

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. Investment gains and losses are amortized over a fixed five-year period.

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 | \$ 26,401 | \$ 4,369 |
| Difference between projected and actual investment earnings on Plan investments | 19,849 | 36,517 |
| Changes in proportion & differences between employers contributions and proportion share of contributions | 9,589 | 170,813 |
| Change of assumptions | 104,652 | |
| Employer contributions subsequent to the measurement date | <u>76,275</u> | <u>-</u> |
| Total | <u>\$ 236,766</u> | <u>\$ 211,699</u> |

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

**NOTE E- EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFIT PLAN (CERS)-
(Continued)**

B. Net Pension Liability-Continued

The 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| <u>Year Ended</u> | |
|-------------------|--------------------|
| 2021 | \$ 4,890 |
| 2022 | (42,929) |
| 2023 | (14,350) |
| 2024 | 1,181 |
| | <u>\$ (51,208)</u> |

C. OPEB Information

Total OPEB Liability: The total other postemployment benefits plan (“OPEB”) was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--|
| Price inflation | 2.30% |
| Payroll growth rate | 2.00% |
| Salary increases | 3.30%, average |
| Investment rate of return | 6.25% |
| Municipal bond index rate | |
| Prior measurement date | 3.62% |
| Measurement date | 3.13% |
| Single equivalent interest rate (discount rate), net of OPEB plan investment expense, including inflation | |
| Prior measurement date | 5.85% |
| Measurement date | 5.68% |
| Healthcare trend rates | |
| Pre-65 | Initial trend starting at 7.0% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. |
| Post-65 | Initial trend starting at 5.0% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. |

Mortality rates used for active members is PUB-2010 General (non-hazardous) and Public Safety (hazardous) Mortality Tables projected with ultimate rates from the MP-2014 mortality scale using a base year of 2010. For healthy retired members and beneficiaries, System-specific mortality table based on mortality experience from 2013-2018 projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The PUB-2010 Disabled Mortality Table projected with a 4-year set-forward for both males and females with ultimate rates from the MP-2014 mortality scale using a base year of 2010 is used for the period after disability retirement.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

**NOTE E- EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFIT PLAN (CERS)-
(Continued)**

C. OPEB Information-(Continued)

Discount Rate: The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous and 5.69% for hazardous. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Projected Cash Flows: The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability.

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 2014 through 2018 is outlined in a report dated April 12, 2019. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

Municipal Bond Rate: The discount rate determination used a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2019.

Period of Projected Benefit Payments: Future contributions are projected in accordance with the Board’s current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (24 years as of June 30, 2019) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Assumed Asset Allocations: 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 |
|-----------------------------|--------------------------|---|
| US Equity | 18.75% | 4.30% |
| Non-US Equity | 18.75% | 4.80% |
| Private Equity | 10.00% | 6.65% |
| Specialty Credit/High Yield | 15.00% | 2.60% |
| Core Bonds | 13.50% | 1.35% |
| Cash | 1.00% | 0.20% |
| Real Estate | 5.00% | 4.85% |
| Opportunistic | 3.00% | 2.97% |
| Real Return | 15.00% | 4.10% |
| Total | 100% | |

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

**NOTE E- EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFIT PLAN (CERS)-
(Continued)**

C. OPEB Information-(Continued)

Sensitivity Analysis: This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate. The following presents the City’s allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.68%, as well as what the City’s allocated portion of the System’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (4.68 %) or 1-percentage-point higher (6.68 %) than the current rate for non-hazardous:

| | 1% Decrease (4.68%) | Current Discount Rate (5.68%) | 1% Increase (6.68%) |
|--------------------------------------|------------------------------------|--|------------------------------------|
| City of Hickman's Net OPEB Liability | \$ 331,165 | \$ 247,214 | \$ 178,044 |

The following presents the City’s allocated portion of the net OPEB liability of the System, calculated using the healthcare cost trend rate, as well as what the City’s allocated portion of the System’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for non-hazardous:

| | Decrease (1%) | Current Cost Trend Rate | Increase (1%) |
|--------------------------------------|--------------------------|--|--------------------------|
| City of Hickman's Net OPEB Liability | \$ 183,854 | \$ 247,214 | \$ 324,045 |

Employer's Portion of the Collective OPEB Liability: The City’s proportionate share of the net OPEB liability, as indicated in the prior table, is \$247,214, or approximately 0.014698%. The net OPEB liability was distributed based on 2019 actual employer contributions to the plan.

Measurement Date: June 30, 2019 is the measurement date upon which the total pension liability is based.

Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total OPEB liability have been updated as follows:

OPEB Expense: The Board was allocated OPEB expense of \$12,740 related to the CERS for the year ending June 30, 2020.

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plans' fiduciary net position is available in the separately issued OPEB plan financial reports.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

**NOTE E- EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFIT PLAN (CERS)-
(Continued)**

C. OPEB Information-(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 OPEB expense they are labeled as deferred inflows. If they will increase OPEB expense they are labeled as 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. Investment gains and losses are amortized over a fixed five-year period. Deferred inflows and outflows as of the Measurement Date include:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 74,590 |
| Difference between projected and actual investment earnings on Plan investments | 1,628 | 12,609 |
| Changes in proportion & differences between employers contributions and proportion share of contributions | | 72,400 |
| Change of assumptions | 73,153 | 489 |
| Employer contributions subsequent to the measurement date | <u>24,120</u> | <u>-</u> |
| Total | <u>\$ 98,901</u> | <u>\$ 160,088</u> |

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$24,120 which include the implicit subsidy reported of \$5,308, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2021. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

| | <u>Year Ending</u> | |
|-------|------------------------|--------------------|
| | 2021 | \$ (16,213) |
| | 2022 | (16,213) |
| | 2023 | (12,722) |
| | 2024 | (19,378) |
| | 2025 | (16,924) |
| | Thereafter | <u>(3,857)</u> |
| Total | | <u>\$ (85,307)</u> |

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE F-CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|---------------------|-------------|---------------------|
| <u>Governmental Activities:</u> | | | | |
| Not Being Depreciated: | | | | |
| Land | \$ 161,500 | \$ | \$ | \$ 161,500 |
| Construction in Progress | | | | |
| 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 | 7,252,810 | | | 7,252,810 |
| Machinery and Equipment | <u>950,213</u> | <u>97,814</u> | | <u>1,048,027</u> |
| Total Other Capital Assets | 9,655,618 | 97,814 | | 9,753,432 |
| Accumulated Depreciation: | | | | |
| Buildings | (896,601) | (29,686) | | (926,287) |
| Infrastructure | (3,857,035) | (171,144) | | (4,028,179) |
| Machinery and Equipment | <u>(836,337)</u> | <u>(23,352)</u> | | <u>(859,689)</u> |
| Total Depreciation | <u>(5,589,973)</u> | <u>(224,182)</u> | - | <u>(5,814,155)</u> |
| Net Capital Assets | <u>\$ 4,227,145</u> | <u>\$ (126,368)</u> | <u>\$ -</u> | <u>\$ 4,100,777</u> |

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

| | |
|--|-------------------|
| <u>Governmental Activities:</u> | |
| General Government | \$ 16,039 |
| Police | 17,744 |
| Fire | 17,021 |
| Public Works (infrastructure) | 171,144 |
| Public Works | <u>2,234</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 224,182</u> |

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 | 63,807 | 492,957 | | 556,764 |
| Total Capital Assets Not Being Depreciated | <u>81,160</u> | <u>492,957</u> | | <u>574,117</u> |
| Other Capital Assets: | | | | |
| Plant in Service | 13,635,133 | 28,070 | | 13,663,203 |
| Machinery and Equipment | 644,703 | | | 644,703 |
| Total Other Capital Assets | <u>14,279,836</u> | <u>28,070</u> | | <u>14,307,906</u> |
| Accumulated Depreciation | <u>(7,559,573)</u> | <u>(300,705)</u> | | <u>(7,860,278)</u> |
| Total Accumulated Depreciation | <u>(7,559,573)</u> | <u>(300,705)</u> | | <u>(7,860,278)</u> |
| Net Capital Assets | <u>\$ 6,801,423</u> | <u>\$ 220,322</u> | <u>\$ -</u> | <u>\$ 7,021,745</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 \$250,250 at a fixed rate of interest 3.75 percent. The balance due as of June 30, 2020 was \$85,175.

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. The balance dues as of June 30, 2020 was \$2,492,917. Annually debt service requirements to maturity are as follows:

| <u>Fiscal Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Annual Debt Service</u> |
|--------------------------------------|---------------------|-------------------|--------------------------------------|
| 2021 | \$ 69,167 | \$ 84,390 | \$ 153,557 |
| 2022 | 79,167 | 82,834 | 162,001 |
| 2023 | 89,167 | 81,009 | 170,176 |
| 2024 | 99,167 | 78,842 | 178,009 |
| 2025 | 109,166 | 76,034 | 185,200 |
| 2026-2030 | 715,000 | 319,736 | 1,034,736 |
| 2031-2035 | 1,080,416 | 174,350 | 1,254,766 |
| 2036-2037 | 251,667 | 11,888 | 263,555 |
| | <u>\$ 2,492,917</u> | <u>\$ 909,083</u> | <u>\$ 3,402,000</u> |

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE G-LONG TERM DEBT- (Continued)

Business-Type Activities:

The City of Hickman entered into an agreement with Kentucky Infrastructure Authority for a Fund B loan in the amount of \$397,000. The purpose of the note was for water treatment plant modification. The note agreement will bear an interest rate of .5% which is due semi-annually. As of June 30, 2020, the City had only requested \$380,830 of the loan. Full principal and interest payments are as follows:

| Fiscal Year Ended <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Annual Debt Service</u> |
|-------------------------------------|-------------------|------------------|--------------------------------------|
| 2021 | \$ 9,449 | \$ 1,393 | \$ 10,842 |
| 2022 | 18,970 | 2,680 | 21,650 |
| 2023 | 19,065 | 2,547 | 21,612 |
| 2024 | 19,160 | 2,412 | 21,572 |
| 2025 | 19,256 | 2,279 | 21,535 |
| 2026-2030 | 97,736 | 9,356 | 107,092 |
| 2031-2035 | 100,207 | 5,897 | 106,104 |
| 2036-2040 | 102,741 | 2,350 | 105,091 |
| 2041 | 10,416 | 36 | 10,452 |
| | <u>\$ 397,000</u> | <u>\$ 28,950</u> | <u>\$ 425,950</u> |
| Remaining request | (16,170) | | |
| June 30, 2020 balance | <u>\$ 380,830</u> | | |

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 3.79%. Principal and interest are due at the maturity of the note. As of June 30, 2020, the balance due on the line of credit was \$1.

The City of Hickman entered into a note agreement with Citizens Deposit Bank for an operating line of credit for the water system. The line of credit is for \$325,000 at a fixed interest rate of 3.04%. Principal and interest are due at the maturity of the note. As of June 30, 2020, the balance due on the line of credit was \$1.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE G-LONG TERM DEBT- (Continued)

Changes in Long-Term Liabilities

Long-term liabilities activities for the year ended June 30, 2020, were as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Primary Government: | | | | | |
| <u>Governmental Activities:</u> | | | | | |
| Revenue Bond Lease | \$ 2,555,000 | \$ - | \$ 62,083 | \$ 2,492,917 | \$ 69,167 |
| Note Payable-Citizens Bank-LOC | - | 86,675 | 1,500 | 85,175 | |
| Note Payable-Citizens Bank-LOC | <u>1</u> | <u>43,885</u> | <u>43,886</u> | <u>-</u> | <u>-</u> |
| Governmental Activities Long-term Liabilities | <u>\$ 2,555,001</u> | <u>\$ 130,560</u> | <u>\$ 107,469</u> | <u>\$ 2,578,092</u> | <u>\$ 69,167</u> |
| <u>Business-Type Activities:</u> | | | | | |
| Note Payable-Citizens Bank- LOC | \$ 60,054 | \$ 181,910 | \$ 241,963 | \$ 1 | \$ - |
| Note Payable-Citizens Bank- LOC | 39,021 | | 39,020 | 1 | - |
| Note Payable-KIA B19-09 | <u>1</u> | <u>380,830</u> | <u>1</u> | <u>380,830</u> | <u>9,449</u> |
| Business-Type Activities Long-term Liabilities | <u>\$ 99,075</u> | <u>\$ 562,740</u> | <u>\$ 280,983</u> | <u>\$ 380,832</u> | <u>\$ 9,449</u> |

NOTE H –INTEREST ON DEBT

Interest on debt on the Statement of Activities includes \$86,329 in interest on revenue bonds and financing obligations.

NOTE I-INTERFUND TRANSACTIONS

Interfund loans at June 30, 2020 consist of the following receivables and payables:

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|-------------------|---------------------|---------------------|
| General Fund | \$ 2,080,080 | \$ - |
| Proprietary Funds | | 2,080,080 |
| | <u>\$ 2,080,080</u> | <u>\$ 2,080,080</u> |

The following interfund transfers were made during the year:

| | <u>General Fund</u> | <u>Water</u> | <u>Gas</u> | <u>Sewer</u> | <u>Total Transfers In</u> |
|---------------------|-------------------------|---------------|------------------|------------------|-------------------------------|
| General Fund | | \$ 223 | \$ 36,614 | | \$ 36,837 |
| ABC Fund | 4,238 | | | | 4,238 |
| Water | | | | 83,529 | 83,529 |
| Gas | 18,000 | | | | 18,000 |
| SRO | <u>1,471</u> | | | | <u>1,471</u> |
| Total Transfers Out | <u>\$ 23,709</u> | <u>\$ 223</u> | <u>\$ 36,614</u> | <u>\$ 83,529</u> | <u>\$ 144,075</u> |

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 2020, 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 28, 2021, the date the financial statements were available to be issued. The City of Hickman Sewer System issued bonds in the amount of \$1,540,000 for sewer system project. Total project estimated cost of \$2,420,000 of which RD grant in the amount of \$480,000 and DRA grant in the amount of \$400,000 will be applied to project with the remaining financed through bond issue.

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. We believe the ultimate financial impact of the COVID-19 pandemic on the City is likely to be determined by factors which are uncertain, unpredictable and outside of the control of the City. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely affect future revenues.

NOTE L: RESTATEMENT OF FUND BALANCES

The Sewer System was restated by \$34,350. This was due to the reclassifying certain expense to construction work in progress.

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, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------------|------------------|------------------|------------------|------------------|------------------|
| Total Net Pension Liability for County Employees Retirement System | \$ 7,033,044,552 | \$ 6,090,304,793 | \$ 5,853,307,482 | \$ 4,923,618,237 | \$ 4,299,525,565 | \$ 3,244,377,000 |
| Employer's Proportion (Percentage) of Net Pension Liability | 0.01470% | 0.01861% | 0.01968% | 0.01811% | 0.02308% | 0.01868% |
| Employers Proportion (Amount) of Net Pension Liability | \$ 1,033,998 | \$ 1,133,345 | \$ 1,152,165 | \$ 891,487 | \$ 992,209 | \$ 606,000 |
| Employer's Covered-Employer payroll | \$ 395,208 | \$ 368,673 | \$ 462,408 | \$ 483,928 | \$ 434,408 | \$ 490,761 |
| Employer's Proportionate Share (Amount) of Net Pension Liability As a Percentage of Employer's Covered-Employer Payroll | 261.63% | 307.41% | 249.17% | 184.22% | 228.40% | 123.48% |
| Total Pension Plan's Fiduciary Net Position | \$ 7,159,921,000 | \$ 7,018,963,000 | \$ 6,687,237,095 | \$ 6,141,394 | \$ 6,440,800 | \$ 6,528,146 |
| Total Pension's Plan Pension Liability | \$ 14,192,966,000 | \$13,109,268,000 | \$12,540,544,538 | \$ 11,065,013 | \$ 10,740,325 | \$ 9,772,523 |
| Total Pension Plan's Fiduciary Net Position as a Percentage to Total Pension Liability | 50.45% | 53.54% | 53.32% | 55.50% | 59.97% | 66.80% |

Notes:

- 1) The amounts presented for each fiscal year were determined as of the prior year end which is the valuation date of the related liability.
- 2) This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.
- 3) Changes in Assumptions and Benefit Terms: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have not been updated.

**CITY OF HICKMAN, KENTUCKY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Statutorily required contribution for pension | \$ 76,275 | \$ 59,799 | \$ 66,957 | \$ 90,398 | \$ 74,110 | \$ 87,677 |
| System's contributions in relation to the statutorily required contribution | <u>(76,275)</u> | <u>(59,799)</u> | <u>(66,957)</u> | <u>(90,398)</u> | <u>(74,110)</u> | <u>(87,677)</u> |
| Annual contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| System's contributions as a percentage of statutorily required contribution for pension | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| System's Covered-Employee payroll | 395,208 | 368,673 | \$ 462,408 | \$ 483,928 | \$ 434,408 | \$ 490,761 |
| Contributions as a percentage of its covered employee payroll | 19.30% | 16.22% | 14.48% | 18.68% | 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
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIOS BASED ON
PARTICIPATION IN COUNTY RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|------------------|
| Total Net OPEB Liability for County Employees Retirement System | \$ 1,681,954,950 | \$ 1,775,480,122 | \$ 2,010,342,054 |
| Employer's Proportion (Percentage) of Net OPEB Liability | 0.014698% | 0.018608% | 0.01968% |
| Employers Proportion (Amount) of Net OPEB Liability | 247,214 | 330,381 | 395,716 |
| Employer's Covered-Employer payroll | 395,208 | 368,673 | 462,408 |
| Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll | 62.55% | 89.61% | 85.58% |
| Total Plan's Fiduciary Net Position | \$ 2,569,511,000 | \$ 2,414,126,000 | \$ 2,212,535,662 |
| Total OPEB Liability | \$ 4,251,466,000 | \$ 4,189,606,000 | \$ 4,222,877,716 |
| Total Plan's Fiduciary Net Position as a Percentage to Total OPEB Liability | 60.4% | 57.6% | 52.4% |

* The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

** This is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

**CITY OF HICKMAN, KENTUCKY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS
COUNTY EMPLOYEES' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-----------------|-----------------|-----------------|
| Statutorily required contribution for employer | \$ 18,812 | \$ 19,392 | \$ 21,733 |
| System's contributions in relation to the statutorily required contribution | <u>(18,812)</u> | <u>(19,392)</u> | <u>(21,733)</u> |
| Annual contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| System's contributions as a percentage of statutorily required contribution for pension | 100.00% | 100.00% | 100.00% |
| System's Covered-Employee payroll | 395,208 | \$ 368,673 | \$ 462,408 |
| Contributions as a percentage of its covered employee payroll | 4.76% | 5.26% | 4.70% |

** This is a ten-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten years of information is available.

**CITY OF HICKMAN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|--|------------------|-------------------|---------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| Budgetary fund balance, July 1 | \$ - | \$ - | \$ 2,570,764 | \$ 2,570,764 |
| Resources (inflows): | | | | |
| Taxes | | | | |
| Property | 197,223 | 197,223 | 207,216 | 9,993 |
| Payroll | 346,796 | 346,796 | 374,097 | 27,301 |
| Franchise taxes | 26,819 | 26,819 | 28,565 | 1,746 |
| In Lieu of taxes | 20,172 | 20,172 | 29,992 | 9,820 |
| Prop tax/ fire appar | 21,528 | 21,528 | 27,394 | 5,866 |
| Intergovernmental | 78,215 | 79,486 | 38,864 | (40,622) |
| Fines and forfeitures | 13,958 | 17,578 | 812 | (16,766) |
| License and permits | 126,834 | 469,834 | 451,538 | (18,296) |
| Interest received | 2,142 | 2,142 | 10,547 | 8,405 |
| Charges for services | 249,834 | 392,191 | 371,120 | (21,071) |
| Miscellaneous | 5,667 | 5,667 | 29,416 | 23,749 |
| Borrowed monies | - | 43,885 | 130,560 | 86,675 |
| Lease repayments from water & gas | 130,127 | 130,127 | 75,493 | (54,634) |
| Transfer in | 45,296 | 45,296 | 36,837 | (8,459) |
| Amounts available for appropriation | <u>1,264,611</u> | <u>1,798,744</u> | <u>4,383,215</u> | <u>2,584,471</u> |
| Charges to appropriations (outflows): | | | | |
| General government | 894,835 | 1,053,845 | 1,109,996 | 56,151 |
| Public safety | 287,574 | 287,574 | 282,416 | (5,158) |
| Public works | 82,202 | 82,202 | 152,372 | 70,170 |
| Transfers out | - | - | 23,709 | 23,709 |
| Total charges to appropriations | <u>1,264,611</u> | <u>1,423,621</u> | <u>1,568,493</u> | <u>144,872</u> |
| Budgetary fund balance, June 30 | <u>\$ -</u> | <u>\$ 375,123</u> | <u>\$ 2,814,722</u> | <u>\$ 2,439,599</u> |

**CITY OF HICKMAN, KENTUCKY
 BUDGETARY COMPARISION STATEMENT
 GENERAL FUND-NOTE TO RSI
 For The Year Ended June 30, 2020**

| | <u>General Fund</u> |
|---|-------------------------|
| Sources/inflows of resources: | |
| Actual amounts "available for appropriation" from the budgetary comparison schedule | \$ 4,383,215 |
| Differences-budget to GAAP | |
| The beginning fund balance is a budgetary resource, but this is not a current year revenue for financial reporting purposes | (2,570,764) |
| Transfers from other funds are inflows of budgetary resources, but not revenues for financial reporting purposes | <u>(36,837)</u> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds | <u>\$ 1,645,054</u> |
| Uses/outflows of resources: | |
| Actual amount "total charges to appropriations" from the budgetary comparison schedule | \$ 1,568,493 |
| Differences-budget to GAAP: | |
| Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes | <u>(23,709)</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds | <u>\$ 1,544,784</u> |

CITY OF HICKMAN, KENTUCKY
COMBINING BALANCE SHEET-NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

| | Special Revenue Funds | | | Total | Permanent Fund Cemetery Care | Total Nonmajor Governmental Funds |
|--------------------------------------|-----------------------|-----------------|-----------------------|-------------------|---------------------------------------|---|
| | ABC Fund | SRO Fund | Municipal Road Aid | | | |
| ASSETS | | | | | | |
| Cash on hand and in banks | \$ - | \$ 1,456 | \$ - | \$ 1,456 | \$ 6,257 | \$ 7,713 |
| Restricted cash | 3,945 | - | 169,375 | 173,320 | 274,307 | 447,627 |
| Interfund receivable | 148 | - | - | 148 | 200 | 348 |
| Total assets | <u>4,093</u> | <u>1,456</u> | <u>169,375</u> | <u>174,924</u> | <u>280,764</u> | <u>455,688</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Encumbrances | \$ 143 | \$ - | | \$ 143 | \$ 1,479 | \$ 1,622 |
| Interfund payable | | 2,249 | | 2,249 | | 2,249 |
| Provision for compensated absences | - | 816 | - | 816 | - | 816 |
| Total liabilities | <u>143</u> | <u>3,065</u> | <u>-</u> | <u>3,208</u> | <u>1,479</u> | <u>4,687</u> |
| Fund balances: | | | | | | |
| Nonspendable | | | | | 274,307 | 274,307 |
| Restricted | 3,950 | | 169,375 | 173,325 | - | 173,325 |
| Assigned | - | (1,609) | - | (1,609) | 4,978 | 3,369 |
| Total fund balances | <u>3,950</u> | <u>(1,609)</u> | <u>169,375</u> | <u>171,716</u> | <u>279,285</u> | <u>451,001</u> |
| Total liabilities and fund balances | <u>\$ 4,093</u> | <u>\$ 1,456</u> | <u>\$ 169,375</u> | <u>\$ 174,924</u> | <u>\$ 280,764</u> | <u>\$ 455,688</u> |

CITY OF HICKMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Special Revenue | | | Permanent Fund Cemetery Care | Total Nonmajor Governmental Funds |
|---------------------------------------|-----------------|-------------|-----------------------|---------------------------------------|---|
| | ABC Fund | SRO Fund | Municipal Road Aid | | |
| REVENUES | | | | | |
| Intergovernmental | \$ - | \$ 27,219 | \$ 47,537 | \$ - | \$ 74,756 |
| License and permits | 43,327 | - | - | - | 43,327 |
| Charges for services | - | - | - | 5,842 | 5,842 |
| Investment earnings | - | - | 415 | 5,411 | 5,826 |
| Total revenues | 43,327 | 27,219 | 47,952 | 11,253 | 129,751 |
| EXPENDITURES | | | | | |
| General government | 46,568 | 30,299 | - | 21,073 | 97,940 |
| Public works | - | - | 411 | - | 411 |
| Total expenditures | 46,568 | 30,299 | 411 | 21,073 | 98,351 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 4,238 | 1,471 | - | - | 5,709 |
| Total other financing sources (uses) | 4,238 | 1,471 | - | - | 5,709 |
| Net change in fund balances | 997 | (1,609) | 47,541 | (9,820) | 37,109 |
| Fund balances-beginning | 2,953 | - | 121,834 | 289,105 | 413,892 |
| Fund balances-ending | \$ 3,950 | \$ (1,609) | \$ 169,375 | \$ 279,285 | \$ 451,001 |

CITY OF HICKMAN, KENTUCKY
STATEMENT OF DETAILED EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| | General Government | | | | | | | Public Works | Public Safety | |
|-------------------------|--------------------|-----------|--------------------------|---------------|------------------|------------------|----------------------|----------------|---------------|-----------|
| | Legislative | Executive | Finance & Administrative | Legal Council | General Services | Code Enforcement | Economic Development | Street & Parks | Police | Fire |
| Salaries | \$ 18,900 | \$ 58,625 | \$ 63,109 | \$ - | \$ 8,525 | \$ 3,016 | \$ - | \$ 6,811 | \$ 147,749 | \$ 10,195 |
| Payroll taxes | 1,446 | 4,287 | 4,205 | - | 638 | 224 | - | 387 | 10,968 | 413 |
| Employee benefits | - | - | 9,404 | - | - | - | - | - | 18,683 | - |
| Retirement benefits | 866 | 14,454 | 13,769 | - | - | - | - | - | 40,535 | 150 |
| Unemployment | - | - | - | - | 12,421 | - | - | - | - | - |
| Worker compensation | - | - | 950 | - | - | - | - | 2,440 | 6,054 | 1,832 |
| Professional services | - | - | 17,941 | 10,200 | 147,116 | - | - | - | - | 1,228 |
| Travel | 370 | 391 | 108 | - | - | - | - | - | - | - |
| Training | 379 | - | - | - | - | - | - | - | 351 | - |
| Dues/subscriptions | 2,236 | - | 107 | - | - | - | - | - | 84 | 240 |
| Telephone | - | - | 6,625 | - | - | - | - | - | 2,543 | 1,567 |
| Advertising | - | - | 344 | - | 7,289 | - | - | - | - | - |
| Insurance | - | - | - | - | 36,400 | - | - | - | - | - |
| Office supplies | - | - | 5,563 | - | - | - | - | - | 210 | 2 |
| Printing | - | - | 739 | - | - | - | - | - | - | - |
| Postage | - | - | 7,461 | - | - | - | - | - | - | - |
| Operating supplies | - | - | 3,390 | - | 1,024 | - | - | 8,979 | - | 67 |
| Operating equipment | - | - | 4,516 | - | - | - | - | 3,782 | 324 | 2,988 |
| Fuel | - | - | - | - | - | - | - | 2,401 | 19,197 | 452 |
| Maintenance | - | - | - | - | 1,779 | - | - | 11,382 | 3,617 | 830 |
| Uniforms | - | - | - | - | - | - | - | - | 62 | - |
| Utilities | - | - | - | - | 10,058 | - | - | 18,376 | 4,954 | 7,121 |
| Garbage collection | - | - | - | - | 204,775 | - | - | - | - | - |
| Contingencies | 6,948 | - | - | - | 7,780 | - | - | - | - | - |
| Ambulance fees | - | - | - | - | 147,820 | - | - | - | - | - |
| Dispatch fees | - | - | - | - | 60,000 | - | - | - | - | - |
| Economic development | - | - | - | - | - | - | 10,000 | - | - | - |
| Debt retirement | - | - | 107,469 | - | - | - | - | - | - | - |
| Debt interest | - | - | 86,329 | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - | 97,814 | - | - |
| Sub-total | 31,145 | 77,757 | 332,029 | 10,200 | 645,625 | 3,240 | 10,000 | 152,372 | 255,331 | 27,085 |
| Operating transfers out | - | - | - | - | 23,709 | - | - | - | - | - |
| Total | \$ 31,145 | \$ 77,757 | \$ 332,029 | \$ 10,200 | \$ 669,334 | \$ 3,240 | \$ 10,000 | \$ 152,372 | \$ 255,331 | \$ 27,085 |

**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 Carlton, 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, 2020, 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 28, 2021.

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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 financial statements. 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 is required to be reported under *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 & Towery

Hickman, Kentucky
January 28, 2021