

**CITY OF HICKMAN, KENTUCKY
AUDIT REPORT
JUNE 30, 2021**

**CITY OF HICKMAN, KENTUCKY
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2021**

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF NET POSITION	4
STATEMENT OF ACTIVITIES	5
BALANCE SHEET - GOVERNMENTAL FUNDS.....	6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	7
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	8
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS.....	9
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS	10
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS	11
NOTES TO FINANCIAL STATEMENTS.....	14
SCHEDULE OF NET PENSION LIABILITY AND RELATED RATIOS BASED ON PARTICIPATION IN COUNTY EMPLOYEES' RETIREMENT SYSTEM.....	35
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS-COUNTY EMPLOYEES' RETIREMENT SYSTEM	36
SCHEDULE OF NET OPEB LIABILITY AND RELATED RATIOS BASED ON PARTICIPATION IN COUNTY EMPLOYEES' RETIREMENT SYSTEM.....	37
SCHEDULE OF OPEB CONTRIBUTIONS-COUNTY EMPLOYEES' RETIREMENT SYSTEM	38
BUDGETARY COMPARISON SCHEDULE.....	39
BUDGETARY COMPARISON STATEMENT -GENERAL FUND-NOTE TO RSI.....	40
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS.....	41
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS.....	42
STATEMENT OF DETAILED EXPENDITURES	43
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	44
SCHEDULE OF FINDINGS AND REPSONSES	46



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

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hickman, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hickman, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hickman, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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

Auditor's Responsibilities for the Audit of the Financial Statements-Continued

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hickman, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hickman, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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

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

Supplementary 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 24, 2024 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 solely 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 the effectiveness of the City of Hickman, Kentucky's 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.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report finding:

2021-001 The City of Hickman did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The SEFA was not prepared for the audit .

Respectfully submitted,

Romaine & Associates, PLLC

Paducah, Kentucky
Mayfield, Kentucky
January 24, 2024

CITY OF HICKMAN, KENTUCKY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash on hand and in banks	\$ 649,141	\$ 811,584	\$ 1,460,725
Restricted cash	832,094	187,237	1,019,331
Receivables (net):			
Property tax	5,780		5,780
Accounts receivable, billed, net	-	133,476	133,476
Grants	5,263	-	5,263
Other receivable	11,189	-	11,189
Internal balances	2,024,523	-	2,024,523
Prepaid natural gas		73,755	73,755
Capital assets:			
Non-depreciable	161,500	1,774,912	1,936,412
Depreciable, net	3,849,141	6,189,168	10,038,309
Total assets	<u>7,538,631</u>	<u>9,170,132</u>	<u>16,708,763</u>
DEFERRED OUTFLOWS			
Deferred amounts related to pension	124,129	66,738	190,867
Deferred amounts related to OPEB	101,976	54,911	156,887
Total deferred outflows of resources	<u>226,105</u>	<u>121,649</u>	<u>347,754</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 7,764,736</u>	<u>\$ 9,291,781</u>	<u>\$ 17,056,517</u>
LIABILITIES			
Accounts payable	67,336	247,533	314,869
Meter deposits		187,237	187,237
Compensated absences	27,386	5,794	33,180
Internal balances	-	2,024,523	2,024,523
Current portion of long-term debt	80,861	18,970	99,831
Total current liabilities	<u>175,583</u>	<u>2,484,057</u>	<u>2,659,640</u>
Noncurrent liabilities			
Pension liability	677,083	364,032	1,041,115
Net OPEB liability	213,004	114,694	327,698
Notes payable	2,474,520	1,137,967	3,612,487
Total noncurrent liabilities	<u>3,364,607</u>	<u>1,616,693</u>	<u>4,981,300</u>
Total liabilities	<u>3,540,190</u>	<u>4,100,750</u>	<u>7,640,940</u>
DEFERRED INFLOWS			
Deferred amounts related to pension	103,667	55,736	159,403
Deferred amounts related to OPEB	88,760	47,793	136,553
Total deferred inflows of resources	<u>192,427</u>	<u>103,529</u>	<u>295,956</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 3,732,617</u>	<u>\$ 4,204,279</u>	<u>\$ 7,936,896</u>
NET POSITION			
Investments in capital assets, net of related debt	3,479,783	4,603,560	8,083,343
Restricted	832,094	-	832,094
Unrestricted	(279,758)	483,942	204,184
Total net position	<u>\$ 4,032,119</u>	<u>\$ 5,087,502</u>	<u>\$ 9,119,621</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, 2021**

Functions and Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities						
General government	\$ 1,137,996	\$ 390,211	\$ 207,550	\$ -	\$ (540,235)	\$ (540,235)
Public safety	138,911	9,804	72,435	-	(56,672)	(56,672)
Public works	306,717	-	94,271	-	(212,446)	(212,446)
Interest on debt	88,650	-	-	-	(88,650)	(88,650)
Total governmental activities	<u>1,672,274</u>	<u>400,015</u>	<u>374,256</u>	<u>-</u>	<u>(898,003)</u>	<u>(898,003)</u>
Business-type activities:						
Gas fund	923,265	793,518	-	-	(129,747)	(129,747)
Water fund	634,473	548,737	-	-	(85,736)	(85,736)
Sewer fund	384,913	401,237	-	221,018	-	237,342
Total business-type activities	<u>1,942,651</u>	<u>1,743,492</u>	<u>-</u>	<u>221,018</u>	<u>-</u>	<u>21,859</u>
Total primary government	<u>3,614,925</u>	<u>2,143,507</u>	<u>374,256</u>	<u>221,018</u>	<u>(898,003)</u>	<u>(876,144)</u>
Totals	<u>\$ 3,614,925</u>	<u>\$ 2,143,507</u>	<u>\$ 374,256</u>	<u>\$ 221,018</u>	<u>(898,003)</u>	<u>21,859</u>
General revenues:						
Taxes						
Property and motor vehicle taxes				281,070		281,070
Occupational tax				385,083		385,083
Franchise tax				28,255		28,255
License and permits				289,681		289,681
Miscellaneous				74,411	23,449	97,860
Interest				12,013	3,132	15,145
Gain on disposal of assets				4,285		4,285
Transfers, net				5,120	(5,120)	-
Total general revenues				<u>1,079,918</u>	<u>21,461</u>	<u>1,101,379</u>
Change in net position				181,915	43,320	225,235
Net position-beginning-restated				<u>3,850,204</u>	<u>5,044,182</u>	<u>8,894,386</u>
Net position-ending				<u>\$ 4,032,119</u>	<u>\$ 5,087,502</u>	<u>\$ 9,119,621</u>

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

CITY OF HICKMAN, KENTUCKY
BALANCE SHEET-GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash on hand and in banks	\$ 634,980	\$ 14,161	\$ 649,141
Restricted cash	428,985	403,109	832,094
Receivables (net):			
Property tax	5,780		5,780
Other	11,189		11,189
Grants	5,263	-	5,263
Interfund receivable	2,027,383	360	2,027,743
Total assets	\$ 3,113,580	\$ 417,630	\$ 3,531,210
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Encumbrances	\$ 66,800	\$ 536	\$ 67,336
Interfund payable	1,516	1,704	3,220
Provision for compensated absences	21,883	5,503	27,386
Total liabilities	90,199	7,743	97,942
Fund balances:			
Nonspendable		274,305	274,305
Restricted	428,985	125,592	554,577
Committed		-	-
Assigned		9,990	9,990
Unassigned	2,594,396	-	2,594,396
Total fund balances	3,023,381	409,887	3,433,268
Total liabilities and fund balances	\$ 3,113,580	\$ 417,630	\$ 3,531,210

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

Balance sheet-Governmental funds balances	\$ 3,433,268
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds, net of accumulated depreciation.	4,010,641
Deferred outflows of resources are expensed in the current period and, therefore, are not reported in the governmental funds.	226,105
Net pension obligation is not due and payable in the current period and therefore, are not reported in the governmental funds.	(677,083)
Net OPEB obligation is not due and payable in the current period and therefore, are not reported in the governmental funds.	(213,004)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(192,427)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,555,381)
Net position of governmental activities	\$ 4,032,119

CITY OF HICKMAN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL
FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Levied for general purposes	\$ 666,254	\$ -	\$ 666,254
Levied for special purposes	28,154		28,154
License and permits	249,876	39,805	289,681
Intergovernmental	274,095	100,161	374,256
Charges for services	373,539	16,672	390,211
Fines and forfeitures	9,804		9,804
Interest	6,255	5,758	12,013
Miscellaneous	147		147
Lease Reimbursement from water and gas	74,264	-	74,264
Total revenues	<u>1,682,388</u>	<u>162,396</u>	<u>1,844,784</u>
EXPENDITURES			
Current:			
General government	1,129,091	55,070	1,184,161
Public safety	107,030		107,030
Public works	171,590	92,801	264,391
Debt service:			
Principal retirement	114,141		114,141
Interest	88,650	-	88,650
Total expenditures	<u>1,610,502</u>	<u>147,871</u>	<u>1,758,373</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,886</u>	<u>14,525</u>	<u>86,411</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt	69,864		69,864
Operating transfers in	61,030	271	61,301
Operating transfers out	(271)	(55,910)	(56,181)
Proceeds from Sale of Property	6,150	-	6,150
Total other financing sources(uses)	<u>136,773</u>	<u>(55,639)</u>	<u>81,134</u>
Net changes in fund balances	208,659	(41,114)	167,545
FUND BALANCES, beginning	<u>2,814,722</u>	<u>451,001</u>	<u>3,265,723</u>
FUND BALANCES, ending	<u>\$ 3,023,381</u>	<u>\$ 409,887</u>	<u>\$ 3,433,268</u>

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, 2021

**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:	\$ 167,545
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.	(88,271)
Pension expense related to long-term net position obligations that is not included in the governmental funds	(21,733)
OPEB expense related to long-term net position obligations that is not included in the governmental funds	80,097
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.	(69,864)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	<u>114,141</u>
Change in net position governmental activities	<u>\$ 181,915</u>

**CITY OF HICKMAN, KENTUCKY
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Business-Type Activities Enterprise Funds			Totals
	Gas System	Water System	Sewer System	
ASSETS				
Current assets:				
Cash on hand and in banks	\$ 457,782	\$ 56,961	\$ 296,841	\$ 811,584
Receivables (net)				
Accounts receivable, billed, net	50,411	50,880	32,185	133,476
Prepaid natural gas	73,755	-	-	73,755
Internal balances	-	-	7,363	7,363
Total current assets	<u>581,948</u>	<u>107,841</u>	<u>336,389</u>	<u>1,026,178</u>
Noncurrent assets				
Restricted cash	114,328	72,909		187,237
Capital assets				
Land	650	16,703		17,353
Construction in Progress		399,485	1,358,074	1,757,559
Plant and equipment	1,540,387	5,793,568	6,995,156	14,329,111
Less accumulated depreciation	<u>(830,264)</u>	<u>(2,887,211)</u>	<u>(4,422,468)</u>	<u>(8,139,943)</u>
Total noncurrent assets	<u>825,101</u>	<u>3,395,454</u>	<u>3,930,762</u>	<u>8,151,317</u>
Total assets	<u>1,407,049</u>	<u>3,503,295</u>	<u>4,267,151</u>	<u>\$ 9,177,495</u>
DEFERRED OUTFLOWS				
Deferred amounts related to pension	55,879	10,859	-	66,738
Deferred amounts related to OPEB	<u>45,498</u>	<u>9,413</u>	<u>-</u>	<u>54,911</u>
Total deferred outflows of resources	<u>101,377</u>	<u>20,272</u>	<u>-</u>	<u>121,649</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 1,508,426</u>	<u>\$ 3,523,567</u>	<u>\$ 4,267,151</u>	<u>\$ 9,299,144</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 56,843	\$ 18,993	\$ 171,697	\$ 247,533
Meter deposits with accrued interest	114,328	72,909		187,237
Provision for compensated absences	4,785	1,009	-	5,794
Current portion of long term debt	-	18,970	-	18,970
Total current liabilities	<u>175,956</u>	<u>111,881</u>	<u>171,697</u>	<u>459,534</u>
Noncurrent liabilities				
Pension liability	304,797	59,235	-	364,032
Net OPEB liability	95,032	19,662	-	114,694
Notes payable, less current portion		368,581	769,386	1,137,967
Internal balances	591,770	1,440,116	-	2,031,886
Total noncurrent liabilities	<u>991,599</u>	<u>1,887,594</u>	<u>769,386</u>	<u>3,648,579</u>
Total liabilities	<u>1,167,555</u>	<u>1,999,475</u>	<u>941,083</u>	<u>4,108,113</u>
DEFERRED INFLOWS				
Deferred amounts related to pension	46,667	9,069	-	55,736
Deferred amounts related to OPEB	<u>39,599</u>	<u>8,194</u>	<u>-</u>	<u>47,793</u>
Total deferred inflows of resources	<u>86,266</u>	<u>17,263</u>	<u>-</u>	<u>103,529</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>\$ 1,253,821</u>	<u>\$ 2,016,738</u>	<u>\$ 941,083</u>	<u>\$ 4,211,642</u>
NET POSITION				
Investment in capital assets, net of related debt	119,003	1,494,878	2,989,679	4,603,560
Unrestricted (deficit)	<u>135,602</u>	<u>11,951</u>	<u>336,389</u>	<u>483,942</u>
Total net position	<u>\$ 254,605</u>	<u>\$ 1,506,829</u>	<u>\$ 3,326,068</u>	<u>\$ 5,087,502</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, 2021

	Business-Type Activities			Totals
	Enterprise Funds			
	Gas System	Water System	Sewer System	
Operating revenues:				
Charges for services	\$ 793,518	\$ 548,737	\$ 401,237	\$ 1,743,492
Other miscellaneous revenues	14,241	1,758	7,450	23,449
Total operating revenues	<u>807,759</u>	<u>550,495</u>	<u>408,687</u>	<u>1,766,941</u>
Operating expenses:				
Utility purchases	524,289	-	-	524,289
General expenses	47,885	59,991	22,961	130,837
Salaries and related expenses	104,248	24,589	-	128,837
Employee benefits	149,609	5,872		155,481
Contracted Services	-	242,197	127,230	369,427
Insurance	31,801	29,443	7,594	68,838
Purchase power	-	80,240	62,847	143,087
Fuel and vehicle expense	5,235	3,482		8,717
Professional fees	18,620	4,879	16,853	40,352
Depreciation	19,580	128,680	147,428	295,688
Total operating expense	<u>901,267</u>	<u>579,373</u>	<u>384,913</u>	<u>1,865,553</u>
Operating income (loss)	<u>(93,508)</u>	<u>(28,878)</u>	<u>23,774</u>	<u>(98,612)</u>
Nonoperating revenues (expense)				
Interest revenue	1,246	51	1,835	3,132
Capital contributions			221,018	221,018
Operating transfers in (out)	(4,831)	(289)		(5,120)
Interest expense	<u>(21,998)</u>	<u>(55,100)</u>	<u>-</u>	<u>(77,098)</u>
Total nonoperating revenue (expense)	<u>(25,583)</u>	<u>(55,338)</u>	<u>222,853</u>	<u>141,932</u>
Change in net position	(119,091)	(84,216)	246,627	43,320
Total net position-beginning, restated	<u>373,696</u>	<u>1,591,045</u>	<u>3,079,441</u>	<u>5,044,182</u>
Total net position-ending	<u>\$ 254,605</u>	<u>\$ 1,506,829</u>	<u>\$ 3,326,068</u>	<u>\$ 5,087,502</u>

**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	\$ 778,350	\$ 544,084	\$ 401,698	\$ 1,724,132
Payments to suppliers	(574,350)	(411,999)	(207,667)	(1,194,016)
Payments for employees	(147,110)	(30,612)	-	(177,722)
Other receipts/payments	14,241	1,758	157,156	173,155
Net cash provided by operating activities	<u>71,131</u>	<u>103,231</u>	<u>351,187</u>	<u>525,549</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received (paid) interfund receivable/payable	(20,276)	(26,111)	5,556	(40,831)
Interfund transfers in(out) to other funds	(4,831)	(289)	-	(5,120)
Net cash provided by noncapital financing activities	<u>(25,107)</u>	<u>(26,400)</u>	<u>5,556</u>	<u>(45,951)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contributions	-		221,018	221,018
Acquisition and construction of capital assets	(38,761)	(13,702)	(1,162,827)	(1,215,290)
Proceeds from debt		16,170	769,385	785,555
Principal paid on debt		(9,450)	(1)	(9,451)
Interest paid on debt	(21,998)	(55,100)	-	(77,098)
Net cash provided by capital and related financing activities	<u>(60,759)</u>	<u>(62,082)</u>	<u>(172,425)</u>	<u>(295,266)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest	1,246	51	1,835	3,132
Net cash provided by investing activities	<u>1,246</u>	<u>51</u>	<u>1,835</u>	<u>3,132</u>
Net change in cash	(13,489)	14,800	186,153	187,464
Balances-beginning of year	<u>585,599</u>	<u>115,070</u>	<u>110,688</u>	<u>811,357</u>
Balances-end of year	<u>\$ 572,110</u>	<u>\$ 129,870</u>	<u>\$ 296,841</u>	<u>\$ 998,821</u>

**CITY OF HICKMAN, KENTUCKY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Business-Type Activities- Enterprise Funds			
	<u>Gas System</u>	<u>Water System</u>	<u>Sewer System</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating expenses:				
Operating income (loss)	\$ (93,508)	\$ (28,878)	\$ 23,774	\$ (98,612)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	19,580	128,680	147,428	295,688
Pension/OPEB Expense	104,122	1,002	-	105,124
(Increase) decrease in:				
Accounts receivable	(17,811)	(6,131)	461	(23,481)
Prepaid utility purchases	1,479			1,479
Grants receivable	-	-	149,706	149,706
Increase (decrease) in:				
Accounts payable and accrued expenses	52,001	8,433	29,818	90,252
Provision for compensated absences	2,625	(1,153)	-	1,472
Meter deposits with accrued interest	2,643	1,478	-	4,121
Net cash provided by operating activities	<u>\$ 71,131</u>	<u>\$ 103,431</u>	<u>\$ 351,187</u>	<u>\$ 525,749</u>
Unrestricted Cash	\$ 457,782	\$ 56,961	\$ 296,841	\$ 811,584
Restricted Cash	114,328	72,909	-	187,237
Total Cash	<u>\$ 572,110</u>	<u>\$ 129,870</u>	<u>\$ 296,841</u>	<u>\$ 998,821</u>

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	14
DEPOSITS	18
ACCOUNTS RECEIVABLE.....	19
OTHER RECEIVABLE	19
EMPLOYEE RETIREMENT SYSTEM AND OTHER POSTEMPLOYMENT BENEFIT PLAN	19
CAPITAL ASSETS.....	29
LONG TERM DEBT	30
INTEREST ON DEBT	32
INTERFUND TRANSACTIONS	32
RISK MANAGEMENT.....	33
SUBSEQUENT EVENTS.....	33
PRIOR PERIOD ADJUSTMENTS	33
COVID IMPACT.....	33
RECENT GASB PRONOUNCEMENTS	34

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021 the City collected \$137,482 and remitted \$137,521 to Twin City Ambulance, Inc. DBA KenTenn EMS for ambulance fees. The accounts receivable balance as of June 30, 2021 was \$12,358 before any allowance for doubtful accounts.

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, 2021, all deposits of the primary government were covered by FDIC insurance or a properly executed collateral security agreement.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE C-ACCOUNTS RECEIVABLE

Governmental Activities:

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

Business-Type Activities:

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

NOTE D-OTHER RECEIVABLE

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

NOTE E-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 employers 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 2019 was \$79,191, FY 2020 was \$95,087, and FY 2021 was \$81,360.

Benefits CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date: Tier 1 Tier 2 Tier 3 Participation date Before September 1, 2008 Unreduced retirement 27 years' service or 65 years old and 4 years' service Reduced retirement At least 5 years' service and 55 years old or 25 years' service and any age Participation date September 1, 2008 - December 31, 2013 Unreduced retirement At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal to 87+ Reduced retirement At least 10 years' service and 60 years old Participation date After December 31, 2013 Unreduced retirement At least 5 years' service and 65 years old or age 57+ with sum of service years plus age equal to 87+ Reduced retirement not available

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

A. Plan Description

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

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%

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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

B. Net Pension Liability

The City net pension liability was determined by an actuarial valuation as of June 30, 2020, 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

Mortality rates were based on the Pub-2010 General Mortality Table projected with the ultimate rates from the MP-2014 Mortality Improvement Scale using a base year of 2010. The Mortality Table used for healthy retired members was a 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 2020. The Mortality Table used for disabled members was PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP2014 Mortality Improvement Scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2019; actuarial valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020. 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.

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 local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed 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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

B. Net Pension Liability

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%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Expected Real Return	100%	3.96%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.26%

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	\$ 1,283,921	\$ 1,041,115	\$ 840,062

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

B. Net Pension Liability

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 \$1,041,115. The City proportionated share of the CERS plan was approximately 0.01357% for Nonhazardous service employees. The liability was distributed based on 2020 actual employer contributions to the plan.

Measurement date: June 30, 2020 is the measurement date upon which the total pension liability is based.

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 \$70,675 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.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 25,962	
Difference between projected and actual investment earnings on Plan investments	45,129	19,076
Changes in proportion & differences between employers contributions and proportion share of contributions	-	140,327
Change of assumptions	40,654	
Employer contributions subsequent to the measurement date	<u>79,122</u>	<u>-</u>
Total	<u>\$ 190,867</u>	<u>\$ 159,403</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

B. Net Pension Liability

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, 2022. 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>	
2022	\$ (48,726)
2023	(18,954)
2024	9,557
2025	10,465
	<u>\$ (47,658)</u>

C. OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) Information

Total OPEB Liability: The total other postemployment benefits plan (“OPEB”) was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2018, actuarial valuation.
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period	25 Years, Closed
Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.05% to 18.55%, varies by service
Investment rate of return	6.25%
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back one year for females).
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. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
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. The 2019 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-In Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018. years.

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

C. OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) Information

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.

Discount Rate: The discount rate used to measure the total OPEB liability was 5.34% for non-hazardous and 5.30% for hazardous. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index". However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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 23-year amortization period of the unfunded actuarial accrued liability.

Long-Term Rate of Return: 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: **Municipal bond rate:** The discount rate determination does not use a municipal bond rate.

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 (23 years as of June 30, 2020) 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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

C. OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) Information

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%	4.50%
Non-US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
Expected Real Return	100%	3.96%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.26%

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 5.34%, 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 (4.34 %) or 1-percentage-point higher (6.34 %) than the current rate for non-hazardous:

	1% Decrease (4.34%)	Current Discount Rate (5.34%)	1% Increase (6.34%)
City of Hickman's Net OPEB Liability	\$ 420,996	\$ 327,698	\$ 251,070

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	417,472	\$ 327,698	253,720

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

C. OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) Information

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 \$327,698, or approximately 0.01357%. The net OPEB liability was distributed based on 2020 actual employer contributions to the plan.

Measurement Date: June 30, 2020 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 \$25,771 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.

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	\$ -	\$ 54,794
Difference between projected and actual investment earnings on Plan investments	17,579	6,687
Changes in proportion & differences between employers contributions and proportion share of contributions	54,752	74,725
Change of assumptions	57,000	347
Employer contributions subsequent to the measurement date	<u>27,556</u>	<u>-</u>
Total	<u><u>\$ 156,887</u></u>	<u><u>\$ 136,553</u></u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

C. OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) Information

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$27,556 which include the implicit subsidy reported of \$8,042, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2022. 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:

	Year Ending	
	2022	\$ (647)
	2023	2,576
	2024	(3,559)
	2025	(1,804)
	2026	<u>(3,788)</u>
Total		<u>\$ (7,222)</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE F-CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Not Being Depreciated:				
Land	\$ 161,500	\$	\$	\$ 161,500
Total Capital Assets Not Being Depreciated	<u>161,500</u>			<u>161,500</u>
Other Capital Assets:				
Buildings	1,452,595			1,452,595
Infrastructure	7,252,810	143,504		7,396,314
Machinery and Equipment	1,048,027		(144,312)	903,715
Total Other Capital Assets	9,655,618	143,504	(144,312)	9,752,624
Accumulated Depreciation:				
Buildings	(926,287)	(29,686)		(955,973)
Infrastructure	(4,028,179)	(171,862)		(4,200,041)
Machinery and Equipment	(859,689)	(30,227)	142,447	(747,469)
Total Depreciation	<u>(5,589,973)</u>	<u>(231,775)</u>	<u>142,447</u>	<u>(5,903,483)</u>
Net Capital Assets	<u>\$ 4,227,145</u>	<u>\$ (88,271)</u>	<u>\$ (1,865)</u>	<u>\$ 4,010,641</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 14,064
Police	17,744
Fire	14,137
Public Works (infrastructure)	171,862
Public Works	13,968
Total Depreciation Expense - Governmental Activities	<u>\$ 231,775</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE F-CAPITAL ASSETS- (Continued)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Business-Type Activities:</u>				
Not Being Depreciated:				
Land	\$ 17,353	\$	\$	\$ 17,353
Construction in Progress	581,030	1,176,529		1,757,559
Total Capital Assets Not Being Depreciated	<u>598,383</u>	<u>1,176,529</u>		<u>1,774,912</u>
Other Capital Assets:				
Plant in Service	13,663,203	38,761		13,701,964
Machinery and Equipment	644,703		(17,556)	627,147
Total Other Capital Assets	<u>14,307,906</u>	<u>38,761</u>	<u>(17,556)</u>	<u>14,329,111</u>
Accumulated Depreciation	<u>(7,860,278)</u>	<u>(295,688)</u>	<u>16,023</u>	<u>(8,139,943)</u>
Total Accumulated Depreciation	<u>(7,860,278)</u>	<u>(295,688)</u>	<u>16,023</u>	<u>(8,139,943)</u>
Net Capital Assets	<u>\$ 7,046,011</u>	<u>\$ 919,602</u>	<u>\$ (1,533)</u>	<u>\$ 7,964,080</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 5 percent. The balance due as of June 30, 2021 was \$129,937.

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, 2021 was \$2,423,750. Annually debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Annual Debt Service
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	119,167	72,486	191,653
2027-2031	777,083	296,014	1,073,097
2032-2036	1,150,833	137,473	1,288,306
	<u>\$ 2,423,750</u>	<u>\$ 824,692</u>	<u>\$ 3,248,442</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE G-LONG TERM DEBT- (Continued)

Governmental Activities:

The City entered into a lease agreement with Magnolia Bank for a computer system and vehicles. The lease consisted of 36 monthly payments of \$1,694. As of June 30, 2021 balance due on the lease was \$1,694. Title transfers to the City upon final payment. Annually debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Annual Debt Service
2022	\$ 1,694	\$ -	\$ 1,694

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. The balance dues as of June 30, 2021 was \$387,551. Annually debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total Annual Debt Service
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	19,352	2,144	21,496
2027-2031	98,225	8,671	106,896
2032-2036	100,709	5,194	105,903
2037-2041	92,813	1,629	94,442
	<u>\$ 387,550</u>	<u>\$ 27,556</u>	<u>\$ 415,106</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, 2021, the note was paid in full.

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 3.75%. Principal and interest are due at the maturity of the note. As of June 30, 2021, the note was paid in full.

On November 9, 2021 the City of Hickman entered into a note agreement with Rural Water Financing Agency for temporary funding of a new wastewater project, the City is to obtained permeant funding through United States Rural Development for the project, in which this note will be repaid with the loan proceeds. The note agreement states that the amount of temporary funding is not to exceed \$1,540,000, as of June 30, 2021 the balance of the note was \$769,385.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE G-LONG TERM DEBT- (Continued)

Changes in Long-Term Liabilities

Long-term liabilities activities for the year ended June 30, 2021, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bond Lease	\$ 2,492,917	\$ -	\$ 69,167	\$ 2,423,750	\$ 79,167
Note Payable- Magnolia Bank	21,565		19,871	1,694	\$ 1,694
Note Payable-Citizens Bank-LOC	85,175	69,864	25,102	129,937	
Note Payable-Citizens Bank-LOC	1		1	-	-
	<hr/>				
Governmental Activities Long-term Liabilities	<u>\$ 2,599,658</u>	<u>\$ 69,864</u>	<u>\$ 114,141</u>	<u>\$ 2,555,381</u>	<u>\$ 80,861</u>
<u>Business-Type Activities:</u>					
Note Payable-Rural Water Financing Agency	\$ -	\$ 769,385	\$ -	\$ 769,385	\$ -
Note Payable-Citizens Bank- LOC	1		1	-	-
Note Payable-Citizens Bank- LOC	1		1	-	-
Note Payable-KIA B19-09	380,830	16,170	9,449	387,551	18,970
	<hr/>				
Business-Type Activities Long-term Liabilities	<u>\$ 380,832</u>	<u>\$ 785,555</u>	<u>\$ 9,451</u>	<u>\$ 1,156,936</u>	<u>\$ 18,970</u>

NOTE H –INTEREST ON DEBT

Interest on debt on the Statement of Activities includes \$88,650 in interest on revenue bonds and financing obligations.

NOTE I-INTERFUND TRANSACTIONS

Interfund loans at June 30, 2021 consist of the following receivables and payables:

Fund	Receivable	Payable
General Fund	\$2,024,523	\$ -
Proprietary Funds		2,024,523
	<u>\$2,024,523</u>	<u>\$2,024,523</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE I-INTERFUND TRANSACTIONS- (Continued)

The following interfund transfers were made during the year:

	General Fund	SRO Fund	Abc Fund	Water	Gas	Total Transfers In
General Fund	\$ 54,603	\$ 1,190	\$ 117	\$ 289	\$ 4,831	\$ 61,030
Cemetery Fund	271					271
Total Transfers Out	\$ 54,874	\$ 1,190	\$ 117	\$ 289	\$ 4,831	\$ 61,301

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, 2021, 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 24, 2024, the date the financial statements were available to be issued.

NOTE L- PRIOR PERIOD ADJUSTMENTS

The sewer system fund balance was restated by \$24,265. This was due to the reclassifying certain expense to construction work in progress. The Governmental activities net position was restated by \$21,565 to record lease payable Magnolia Bank.

NOTE M- COVID IMPACT

During March 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak to be a pandemic. COVID-19 continues to spread across the globe and is impacting worldwide economic activity and financial markets. The City continues to monitor the direct and indirect effects of COVID-19, which has led to closing of non-essential services and limitations for public assemblies. While the immediate and long-term financial impact cannot be reasonably estimated, management anticipates preparing amendments to future budget projects reflecting any significant changes in revenues, other activities affecting the City as a result of the coronavirus.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE N-RECENT GASB PRONOUNCEMENTS

Management has not currently determined what, if any, effects of implementation of the following statements may have on the financial statements: In June 2018, the GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" requiring that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement becomes effective for the fiscal year June 30, 2021. The City is evaluating the impact of this Statement on the financial statements.

GASB Statement No. 87, Leases, will be effective for reporting periods beginning after December 15, 2019. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In May 2019, the GASB issued Statement No. 91 "Conduit Debt Obligations" requiring a single method of reporting conduit debt obligations by issuers and eliminating diversity in practice associated with related obligations, commitments, and footnote disclosures. This Statement becomes effective for the fiscal year June 30, 2022. The City is evaluating the impact of this Statement on the combined financial statements.

**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, 2021**

	2021	2020	2019	2018	2017	2016	2015
Total Net Pension Liability for County Employees Retirement System	\$ 7,669,917,211	\$ 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	0.01357%	0.01470%	0.01861%	0.01968%	0.01811%	0.02308%	0.01868%
Employers Proportion (Amount) of Net Pension Liability	\$ 1,041,115	\$ 1,033,998	\$ 1,133,345	\$ 1,152,165	\$ 891,487	\$ 992,209	\$ 606,000
Employer's Covered-Employer payroll	\$ 409,959	\$ 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	253.96%	261.63%	307.41%	249.17%	184.22%	228.40%	123.48%
Total Pension Plan's Fiduciary Net Position	\$ 6,440,800	\$ 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	\$ 10,740,325	\$ 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	59.97%	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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution for pension	\$ 79,122	\$ 76,275	\$ 59,799	\$ 66,957	\$ 90,398	\$ 74,110	\$ 87,677
System's contributions in relation to the statutorily required contribution	<u>(79,122)</u>	<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>	<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%	100.00%
System's Covered-Employee payroll	409,959	395,208	368,673	\$ 462,408	\$ 483,928	\$ 434,408	\$ 490,761
Contributions as a percentage of its covered employee payroll	19.30%	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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Net OPEB Liability for County Employees Retirement System	\$ 2,414,695,884	\$ 1,681,954,950	\$ 1,775,480,122	\$ 2,010,342,054
Employer's Proportion (Percentage) of Net OPEB Liability	0.013571%	0.014698%	0.018608%	0.01968%
Employers Proportion (Amount) of Net OPEB Liability	327,698	247,214	330,381	395,716
Employer's Covered-Employer payroll	409,959	395,208	368,673	462,408
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	79.93%	62.55%	89.61%	85.58%
Total Plan's Fiduciary Net Position	\$ 2,581,613	\$ 2,569,511,000	\$ 2,414,126,000	\$ 2,212,535,662
Total OPEB Liability	\$ 4,996,309	\$ 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	51.7%	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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution for employer	\$ 19,514	\$ 18,812	\$ 19,392	\$ 21,733
System's contributions in relation to the statutorily required contribution	<u>(19,514)</u>	<u>(18,812)</u>	<u>(19,392)</u>	<u>(21,733)</u>
Annual contribution deficiency (excess)	<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%
System's Covered-Employee payroll	409,959	395,208	\$ 368,673	\$ 462,408
Contributions as a percentage of its covered employee payroll	4.76%	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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ 2,814,722	\$ 2,814,722
Resources (inflows):				
Taxes				
Property	202,583	202,583	218,531	15,948
Payroll	350,953	350,953	385,083	34,130
Franchise taxes	27,552	27,552	28,255	703
In Lieu of taxes	29,992	29,992	34,385	4,393
Prop tax/ fire appar	23,677	23,677	28,154	4,477
Intergovernmental	149,832	149,832	274,095	124,263
Fines and forfeitures	9,275	9,275	9,804	529
License and permits	191,756	191,756	249,876	58,120
Interest received	9,271	9,271	6,255	(3,016)
Charges for services	370,280	370,280	373,539	3,259
Miscellaneous	108,535	108,535	147	(108,388)
Surplus Property		-	6,150	6,150
Borrowed monies	-		69,864	69,864
Lease repayments from water & gas	135,131	135,131	-	(135,131)
Transfer in	11,460	11,460	61,030	49,570
Amounts available for appropriation	<u>1,620,297</u>	<u>1,620,297</u>	<u>4,559,890</u>	<u>2,939,593</u>
Charges to appropriations (outflows):				
General government	1,114,506	1,114,506	1,129,091	14,585
Public safety	243,238	243,238	309,821	66,583
Public works	262,553	262,553	171,590	(90,963)
Transfers out	-	-	271	271
Total charges to appropriations	<u>1,620,297</u>	<u>1,620,297</u>	<u>1,610,773</u>	<u>(9,524)</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,949,117</u>	<u>\$ 2,949,117</u>

**CITY OF HICKMAN, KENTUCKY
 BUDGETARY COMPARISON STATEMENT
 GENERAL FUND-NOTE TO RSI
 For The Year Ended June 30, 2021**

	General Fund
Sources/inflows of resources:	
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 4,559,890
Differences-budget to GAAP	
The beginning fund balance is a budgetary resource, but this is not a current year revenue for financial reporting purposes	(2,814,722)
Transfers from other funds are inflows of budgetary resources, but not revenues for financial reporting purposes	(61,030)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	\$ 1,614,274
Uses/outflows of resources:	
Actual amount "total charges to appropriations" from the budgetary comparison schedule	\$ 1,610,773
Differences-budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	(271)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	\$ 1,610,502

CITY OF HICKMAN, KENTUCKY
COMBINING BALANCE SHEET-NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Funds			Total	Permanent Fund	Total Nonmajor Governmental Funds
	ABC Fund	SRO Fund	Municipal Road Aid		Cemetery Care	
ASSETS						
Cash on hand and in banks	\$ -	\$ 423	\$ -	\$ 423	\$ 13,738	\$ 14,161
Restricted cash	7,801	-	121,003	128,804	274,305	403,109
Interfund receivable	160	-	-	160	200	360
Total assets	<u>7,961</u>	<u>423</u>	<u>121,003</u>	<u>129,387</u>	<u>288,243</u>	<u>417,630</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Encumbrances	\$ 142	\$ -		\$ 142	\$ 394	\$ 536
Interfund payable		1,704		1,704		1,704
Provision for compensated absences	3,230	2,273	-	5,503	-	5,503
Total liabilities	<u>3,372</u>	<u>3,977</u>	<u>-</u>	<u>7,349</u>	<u>394</u>	<u>7,743</u>
Fund balances:						
Nonspendable					274,305	274,305
Restricted	4,589		121,003	125,592	-	125,592
Assigned	-	(3,554)	-	(3,554)	13,544	9,990
Total fund balances	<u>4,589</u>	<u>(3,554)</u>	<u>121,003</u>	<u>122,038</u>	<u>287,849</u>	<u>409,887</u>
Total liabilities and fund balances	<u>\$ 7,961</u>	<u>\$ 423</u>	<u>\$ 121,003</u>	<u>\$ 129,387</u>	<u>\$ 288,243</u>	<u>\$ 417,630</u>

CITY OF HICKMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES- NON-
MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue			Permanent Fund Cemetery Care	Total Nonmajor Governmental Funds
	ABC Fund	SRO Fund	Municipal Road Aid		
REVENUES					
Intergovernmental	\$ -	\$ 56,027	\$ 44,134	\$ -	\$ 100,161
License and permits	39,805	-	-	-	39,805
Charges for services	-	-	-	16,672	16,672
Investment earnings	-	-	295	5,463	5,758
Total revenues	<u>39,805</u>	<u>56,027</u>	<u>44,429</u>	<u>22,135</u>	<u>162,396</u>
EXPENDITURES					
General government	39,049	2,179	-	13,842	55,070
Public works	-	-	92,801	-	92,801
Total expenditures	<u>39,049</u>	<u>2,179</u>	<u>92,801</u>	<u>13,842</u>	<u>147,871</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	271	271
Transfers (out)	(117)	(55,793)	-	-	(55,910)
Total other financing sources (uses)	<u>(117)</u>	<u>(55,793)</u>	<u>-</u>	<u>271</u>	<u>(55,639)</u>
Net change in fund balances	639	(1,945)	(48,372)	8,564	(41,114)
Fund balances-beginning	<u>3,950</u>	<u>(1,609)</u>	<u>169,375</u>	<u>279,285</u>	<u>451,001</u>
Fund balances-ending	<u>\$ 4,589</u>	<u>\$ (3,554)</u>	<u>\$ 121,003</u>	<u>\$ 287,849</u>	<u>\$ 409,887</u>

**CITY OF HICKMAN, KENTUCKY
STATEMENT OF DETAILED EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	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	\$ 41,495	\$ 75,314	\$ -	\$ 9,881	\$ 3,013	\$ -	\$ 54,106	\$ 154,565	\$ 9,015
Payroll taxes	1,446	3,356	5,222	-	791	227	-	4,328	11,332	444
Employee benefits	-	-	7,810	-	-	-	-	-	20,824	-
Retirement benefits	1,155	10,040	17,927	-	-	-	-	-	40,446	603
Unemployment	-	-	-	-	13,550	-	-	-	-	-
Worker compensation	-	-	1,813	-	-	-	-	5,173	10,640	2,453
Professional services	-	-	22,000	10,200	212,291	-	-	-	-	1,337
Travel	-	-	-	-	-	-	-	-	58	-
Training	-	-	-	-	-	-	-	-	683	-
Dues/subscriptions	1,361	-	332	-	-	-	-	-	84	240
Telephone	-	-	5,604	-	-	-	-	-	2,364	1,322
Advertising	-	-	1,271	-	2,952	-	-	-	-	-
Insurance	-	-	-	-	29,605	-	-	-	-	-
Office supplies	-	-	6,124	-	-	-	-	-	-	-
Printing	-	-	2,716	-	-	-	-	-	-	-
Postage	-	-	7,345	-	-	-	-	-	-	-
Operating supplies	-	-	1,619	-	440	-	-	18,758	367	-
Operating equipment	-	-	3,332	-	-	-	-	1,231	2,954	8,615
Fuel	-	-	-	-	-	-	-	3,842	8,025	242
Maintenance	-	-	-	-	3,727	-	-	3,500	6,420	3,346
Uniforms	-	-	-	-	-	-	-	-	115	-
Utilities	-	-	-	-	8,811	-	-	19,757	5,051	6,962
Garbage collection	-	-	-	-	192,023	-	-	-	-	-
Contingencies	-	-	-	-	3,934	-	-	-	-	-
Ambulance fees	-	-	-	-	149,219	-	-	-	-	-
Dispatch fees	-	-	-	-	60,000	-	-	-	-	-
Economic development	-	-	-	-	-	-	7,500	-	-	-
Debt retirement	-	-	96,500	-	-	-	-	6,732	10,909	-
Debt interest	-	-	88,245	-	-	-	-	-	405	-
Capital outlay	-	-	-	-	-	-	-	54,163	-	-
Sub-total	22,862	54,891	343,174	10,200	687,224	3,240	7,500	171,590	275,242	34,579
Operating transfers out	-	-	-	-	271	-	-	-	-	-
Total	\$ 22,862	\$ 54,891	\$ 343,174	\$ 10,200	\$ 687,495	\$ 3,240	\$ 7,500	\$ 171,590	\$ 275,242	\$ 34,579



**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**

To the Mayor and City Council
City of Hickman, Kentucky

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, each major fund of the City of Hickman, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Hickman, Kentucky's basic financial statements and have issued our report thereon dated January 24, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hickman, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hickman, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses as item 2021-001.

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*.

City's Response to Finding

City of Hickman, Kentucky's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. City of Hickman, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. 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.

Purpose of this Report

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

Respectfully submitted,

Romaine & Associates, PLLC

Paducah, Kentucky
Mayfield, Kentucky
January 24, 2024

CITY OF HICKMAN, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2021

2021-001 The City of Hickman did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The SEFA was not prepared for the audit.

Condition and Context:

The City of Hickman did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The SEFA was not prepared for the audit.

The federal grant expenditures was not presented on a SEFA, audit adjustments in the amount of \$202,490 were proposed, accepted by the City of Hickman, and made to the SEFA.

Criteria:

2 CFR 200.303 requires your organization to follow one of two approved internal control structures. The Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (referred to as the "Green Book"), which is used by the Federal government.

The structure endorsed by the Committee of Sponsoring Organizations (COSO) used by publicly held companies.

Both GAO and COSO provide a structure for designing, implementing, and operating an effective internal control system. Using either will help achieve your goals related to operations, reporting, and compliance.

Through your system of internal controls, your executive management should confirm that:

- Resources are used for authorized purposes and in a manner consistent with applicable laws, regulations, and policies.
- All local and Federal resources are protected against waste, mismanagement, or loss.
- Reliable documented information

Accordingly, some of the basic elements that you should consider in developing your system of internal controls include:

- **An organizational chart** that clearly indicates the individuals involved in approving or recording financial transactions and their responsibility.
- **A written description of the functions** of key employees.
- **A formal system of authorization and supervision** sufficient to provide accounting control over assets, liabilities, receipts, and expenditures. This should include:
 - An updated policy manual identifying approval authority for financial transactions and detailed guidelines for controlling expenditures.
 - A written accounting manual outlining procedures for recording deposits and expenditures that includes a chart of accounts for posting all transactions and written procedures indicating the requirements for payments in [2 CFR 200.305](#) (see Accounting Records, in the following section).

CITY OF HICKMAN, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2021

Your authorization system needs to provide enough clarity for management to track and understand various transactions and to ensure proper supervisory authority approving transactions. A system of authorizations can be general, as in a procedures manual that explains how accounting functions are to be performed, or very specific, as in identifying who has the authority to sign a contract on behalf of the organization or to sell a piece of equipment. For example, you could accomplish this by creating a step-by-step guide for each of your financial and program management procedures, specifying the steps in the procedure, the position responsible, the action to be taken, and the standard of prompt action for each step.

An adequate separation of duties, whereby no one individual has authority over an entire financial transaction. Separation of duties specifically involves the separation of three types of functional responsibilities: (a) authorization to execute a transaction, (b) recording of the transaction, and (c) custody of the assets involved in the transaction. No one person should have control of more than one of these functional responsibilities.

- **Control over access to assets, blank forms, and confidential documents.** Physical access to records, blank forms, cash, and other assets should be limited to authorized personnel only. For example, access to accounting records should be limited to only those individuals having record-keeping or supervisory responsibility for them.
- **Periodic evaluations of financial records comparing actual assets and liabilities (reconciliation)** and taking corrective action in response to any discrepancies. As with separation of duties, this is a crucial task to uncover and correct inadvertent record-keeping errors in a timely manner. It is also essential for identifying likely weaknesses in your organization's system for safeguarding resources and uncovering instances of fraud or misuse of assets.

For the CDBG program, these accounting records must contain reliable and up-to-date information about the sources and uses of funds, including:

- Your Federal grant awards (or subgrant allocations) received.
- Current authorizations and obligations of CDBG funds.
- Unobligated balances (funds remaining available for distribution).
- Assets and liabilities.
- Program income earned ([24 CFR 570.500](#)) and disbursed ([24 CFR 570.504](#)).
- Actual outlays or expenditures, with further breakdowns by:
 - The grant program from which the funds are derived.
 - The "eligible activity" classifications specified in [24 CFR 570.201-204](#) or similar classifications that clearly indicate the use of program funds for eligible activities.

All organizations' financial reports must be accurate, timely, current, and represent a complete disclosure of the financial activity and status in each Federal grant under which assistance is received ([2 CFR 200.328-330](#) and [24 CFR 570.502\(a\)\(1-7\)](#)).

2 CFR 200.508 states in part:

CITY OF HICKMAN, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2021

“The Auditee must:...

(B) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements...”

2 CFR 200.510(B) states:

(b) Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- Include the total amount provided to subrecipients from each Federal program.
- For loan or loan guarantee programs described in §200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs.

Cause

The City of Hickman had not established a system of internal control that would have insured reporting of the Schedule of Federal Awards.

Effect:

The SEFA is a foundational piece of the single audit process. The SEFA should not be viewed as something that is just done for the audit. Rather, it is a key part of an organization’s federal grants management system. As such, City’s receiving federal funds should ensure that they have the ability, and internal control structure, to prepare an accurate SEFA meeting the requirements. A SEFA was not prepared by the City of Hickman.

Views of Responsible Official and Planned Corrective Action:

The City of Hickman will from here on out submit a SEFA with all future audits.