

CITY OF
HICKMAN,
KENTUCKY

For the Year Ended June 30,

2011

AUDIT REPORT

**CITY OF HICKMAN, KENTUCKY
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. Financial Section

Independent Auditor's Report 1

A. BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Assets3
Statement of Activities4

Fund Statements

Governmental Fund Financial Statements

Balance Sheet and Reconciliation of the Balance Sheet-Governmental Funds to
the Statement of Net Assets..... 5
Statement of Revenues, Expenditures, and Changes in Fund Balances6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities7

Proprietary Fund Financial Statements

Statements of Net Assets8
Statements of Revenues, Expenses, and Changes in Net Assets.....9
Statements of Cash Flows..... 10

Notes to The Financial Statements 12-23

B. REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MD&A

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
General Fund24

C. OTHER SUPPLEMENTARY INFORMATION

COMBINING FUND FINANCIAL STATEMENTS

Combining Balance Sheets-Non-Major Governmental Funds.....25
Combining Statements of Revenues, Expenditures, and Changes in Fund
Balances-Non-Major Governmental Funds..... 26
Statement of Detailed Expenditures.....27

**D. 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*.....28



To the City of Hickman, Kentucky
Honorable Charles Murphy, Mayor
Members of the City of Hickman Council

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hickman, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of City of Hickman, Kentucky's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hickman, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined necessary to supplement, although not required to be part of the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

To the City of Hickman, Kentucky
Honorable Charles Murphy, Mayor
Members of the City of Hickman Council

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011 on our consideration of the City of Hickman, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note A. As a result of this required fund balance, classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

Respectfully submitted,


December 29, 2011

CITY OF HICKMAN, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			HURCDA Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash on hand and in banks	\$ 69,405	\$ 904,703	\$ 974,108	\$ 5,063
Restricted cash	546,915	455,711	1,002,626	-
Receivables (net):				
Property tax	4,164	-	4,164	-
Accounts receivable, billed, net	-	123,035	123,035	-
Other receivable	27,135	-	27,135	-
Internal balances	145,060	11,245	156,305	-
Prepaid natural gas		75,311	75,311	
Capital assets:				
Non-depreciable	120,000	17,353	137,353	-
Depreciable, net	4,618,881	5,838,153	10,457,034	-
Total assets	<u>5,531,560</u>	<u>7,425,511</u>	<u>12,957,071</u>	<u>5,063</u>
LIABILITIES				
Accounts payable	23,513	6,494	30,007	-
Meter deposits	-	115,710	115,710	-
Accrued interest	-	5,633	5,633	-
Compensated absences	19,234	9,581	28,815	-
Due within one year:				
Notes payable	12,004	157,562	169,566	-
Total current liabilities	<u>54,751</u>	<u>294,980</u>	<u>349,731</u>	<u>-</u>
Noncurrent liabilities				
Internal balances	-	156,305	156,305	-
Notes payable	79,045	707,412	786,457	-
Total noncurrent liabilities	<u>79,045</u>	<u>863,717</u>	<u>942,762</u>	<u>-</u>
Total liabilities	<u>133,796</u>	<u>1,158,697</u>	<u>1,292,493</u>	<u>-</u>
NET ASSETS				
Investments in capital assets, net of related debt	4,647,832	5,015,423	9,663,255	-
Restricted	599,884	455,711	1,055,595	-
Unrestricted	150,048	795,680	945,728	5,063
Total net assets	<u>\$ 5,397,764</u>	<u>\$ 6,266,814</u>	<u>\$ 11,664,578</u>	<u>\$ 5,063</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, 2011

Functions and Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			HURCDA Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental activities								
General government	\$ 1,045,332	\$ 337,519	\$ 414,769	\$ 17,831	\$ (275,213)	\$ -	\$ (275,213)	\$ -
Public safety	425,111	-	24,010	-	(401,101)	-	(401,101)	-
Public works	248,329	-	-	49,667	(198,662)	-	(198,662)	-
Interest on debt	5,280	-	-	-	(5,280)	-	(5,280)	-
Total governmental activities	<u>1,724,052</u>	<u>337,519</u>	<u>438,779</u>	<u>67,498</u>	<u>(880,256)</u>	<u>-</u>	<u>(880,256)</u>	<u>-</u>
Business-type activities:								
Gas fund	1,017,193	1,164,943	-	-	-	147,750	147,750	-
Water fund	431,777	436,248	-	128,874	-	133,345	133,345	-
Sewer fund	378,413	322,496	-	264,320	-	208,403	208,403	-
Total business-type activities	<u>1,827,383</u>	<u>1,923,687</u>	<u>-</u>	<u>393,194</u>	<u>-</u>	<u>489,498</u>	<u>489,498</u>	<u>-</u>
Total primary government	<u>3,551,435</u>	<u>2,261,206</u>	<u>438,779</u>	<u>460,692</u>	<u>(880,256)</u>	<u>489,498</u>	<u>(390,758)</u>	<u>-</u>
Component unit:								
HURCDA	<u>47,336</u>	<u>40,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,834)</u>
Total component unit	<u>47,336</u>	<u>40,502</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,834)</u>
Totals	<u>\$ 3,598,771</u>	<u>\$ 2,301,708</u>	<u>\$ 438,779</u>	<u>\$ 460,692</u>	<u>(880,256)</u>	<u>489,498</u>	<u>(390,758)</u>	<u>(6,834)</u>
General revenues:								
Taxes								
Property and motor vehicle taxes					185,106		185,106	
Occupational tax					284,342		284,342	
Franchise tax					31,750		31,750	
License and permits					92,787		92,787	
Miscellaneous					33,254	24,805	58,059	1,167
Interest					10,762	4,259	15,021	
Transfers					188,800	(188,800)	-	-
Total general revenues					<u>826,801</u>	<u>(159,736)</u>	<u>667,065</u>	<u>1,167</u>
Change in net assets					(53,455)	329,762	276,307	(5,667)
Net assets-beginning					<u>5,451,219</u>	<u>5,937,052</u>	<u>11,388,271</u>	<u>10,730</u>
Net assets-ending					<u>\$ 5,397,764</u>	<u>\$ 6,266,814</u>	<u>\$ 11,664,578</u>	<u>\$ 5,063</u>

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

**CITY OF HICKMAN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash on hand and in banks	\$ 27,393	\$ 42,012	\$ 69,405
Restricted cash	75,078	471,837	546,915
Receivables (net):			
Property tax	4,164	-	4,164
Other	16,178	10,957	27,135
Internal balances	145,060	-	145,060
Total assets	\$ 267,873	\$ 524,806	\$ 792,679
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Encumbrances	\$ 23,513	\$ -	\$ 23,513
Provision for compensated absences	19,234	-	19,234
Total liabilities	42,747	-	42,747
 Fund balances:			
Nonspendable	-	274,309	274,309
Restricted	75,078	197,528	272,606
Committed		21,148	21,148
Assigned	-	31,821	31,821
Unassigned	150,048	-	150,048
Total fund balances	225,126	524,806	749,932
Total liabilities and fund balances	\$ 267,873	\$ 524,806	\$ 792,679

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

Balance sheets-Governmental fund balances	\$ 749,932
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds, net of accumulated depreciation.	4,738,881
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(91,049)
Net assets of governmental activities	\$ 5,397,764

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

CITY OF HICKMAN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Levied for general purposes	\$ 475,335	\$ -	\$ 475,335
Levied for special purposes	25,863	-	25,863
License and permits	92,787	-	92,787
Intergovernmental	456,611	49,667	506,278
Charges for services	229,381	108,138	337,519
Fines and forfeitures	15,126	-	15,126
Interest	944	9,818	10,762
Miscellaneous	18,128	-	18,128
Total revenues	<u>1,314,175</u>	<u>167,623</u>	<u>1,481,798</u>
EXPENDITURES			
Current:			
General government	938,661	111,754	1,050,415
Public safety	385,570	-	385,570
Public works	116,912	-	116,912
Debt service:			
Principal retirement	36,277	-	36,277
Interest	5,280	-	5,280
Total expenditures	<u>1,482,700</u>	<u>111,754</u>	<u>1,594,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(168,525)</u>	<u>55,869</u>	<u>(112,656)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt	2,200	-	2,200
Operating transfer in	206,463	-	206,463
Operating transfers out	(12,200)	(5,463)	(17,663)
Total other financing sources(uses)	<u>196,463</u>	<u>(5,463)</u>	<u>191,000</u>
Net changes in fund balances	27,938	50,406	78,344
FUND BALANCES, beginning	<u>197,188</u>	<u>474,400</u>	<u>671,588</u>
FUND BALANCES, ending	<u>\$ 225,126</u>	<u>\$ 524,806</u>	<u>\$ 749,932</u>

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

CITY OF HICKMAN, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

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

Net changes in fund balances-total governmental funds:	\$ 78,344
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 capital outlay exceeded depreciation expense in the current period.	(165,876)
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 assets	(2,200)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	<u>36,277</u>
Change in net assets governmental activities	<u>\$ (53,455)</u>

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

CITY OF HICKMAN, KENTUCKY
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities			Totals
	Enterprise Funds			
	Gas System	Water System	Sewer System	
ASSETS				
Current assets:				
Cash on hand and in banks	\$ 528,144	\$ 318,432	\$ 58,127	\$ 904,703
Receivables (net)				
Accounts receivable, billed, net	60,103	34,579	28,353	123,035
Prepaid natural gas	75,311			75,311
Internal balances	11,245	-	-	11,245
Total current assets	<u>674,803</u>	<u>353,011</u>	<u>86,480</u>	<u>1,114,294</u>
Noncurrent assets				
Restricted cash	70,403	153,308	232,000	455,711
Capital assets				
Land	650	16,703	-	17,353
Plant and equipment	772,510	3,938,636	6,737,537	11,448,683
Less accumulated depreciation	727,976	1,884,604	2,997,950	5,610,530
Total noncurrent assets	<u>115,587</u>	<u>2,224,043</u>	<u>3,971,587</u>	<u>6,311,217</u>
Total assets	<u>\$ 790,390</u>	<u>\$ 2,577,054</u>	<u>\$ 4,058,067</u>	<u>\$ 7,425,511</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,693	\$ 1,637	\$ 164	\$ 6,494
Meter deposits with accrued interest	70,403	45,307	-	115,710
Accrued interest	-	557	5,076	5,633
Provision for compensated absences	6,652	817	2,112	9,581
Notes payable			24,891	24,891
Current portion of long term debt	-	27,052	105,619	132,671
Total current liabilities	<u>81,748</u>	<u>75,370</u>	<u>137,862</u>	<u>294,980</u>
Noncurrent liabilities				
Internal balances	-	-	156,305	156,305
Notes payable, less current portion	-	298,942	408,470	707,412
Total noncurrent liabilities	<u>-</u>	<u>298,942</u>	<u>564,775</u>	<u>863,717</u>
Total liabilities	<u>81,748</u>	<u>374,312</u>	<u>702,637</u>	<u>1,158,697</u>
NET ASSETS				
Investment in capital assets, net of related debt	45,184	1,744,741	3,225,498	5,015,423
Restricted	70,403	153,308	232,000	455,711
Unrestricted (deficit)	593,055	304,693	(102,068)	795,680
Total net assets	<u>\$ 708,642</u>	<u>\$ 2,202,742</u>	<u>\$ 3,355,430</u>	<u>\$ 6,266,814</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 NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities			Totals
	Enterprise Funds			
	Gas System	Water System	Sewer System	
Operating revenues:				
Charges for services	\$ 1,164,943	\$ 436,248	\$ 322,496	\$ 1,923,687
Other miscellaneous revenues	4,200	11,458	9,147	24,805
Total operating revenues	<u>1,169,143</u>	<u>447,706</u>	<u>331,643</u>	<u>1,948,492</u>
Operating expenses:				
Utility purchases	835,204	-	-	835,204
General expenses	19,796	28,992	50,857	99,645
Salaries and related expenses	68,723	92,953	59,247	220,923
Employee benefits	26,818	44,110	29,428	100,356
Insurance	32,000	24,185	8,624	64,809
Chemicals	-	46,331	6,876	53,207
Purchase power	-	91,198	56,351	147,549
Fuel and vehicle expense	4,787	6,732	5,065	16,584
Professional fees	16,959	15,473	15,922	48,354
Depreciation	12,906	74,756	128,393	216,055
Total operating expense	<u>1,017,193</u>	<u>424,730</u>	<u>360,763</u>	<u>1,802,686</u>
Operating income (loss)	<u>151,950</u>	<u>22,976</u>	<u>(29,120)</u>	<u>145,806</u>
Nonoperating revenues (expense)				
Interest revenue	1,362	1,021	1,876	4,259
Operating transfers in (out)	(191,000)	-	2,200	(188,800)
Interest expense	-	(7,047)	(17,650)	(24,697)
Total nonoperating revenue (expense)	<u>(189,638)</u>	<u>(6,026)</u>	<u>(13,574)</u>	<u>(209,238)</u>
Income (loss) before contributions	(37,688)	16,950	(42,694)	(63,432)
Capital contributions				
Change in net assets	(37,688)	145,824	221,626	329,762
Total net assets-beginning, restated	<u>746,330</u>	<u>2,056,918</u>	<u>3,133,804</u>	<u>5,937,052</u>
Total net assets-ending	<u>\$ 708,642</u>	<u>\$ 2,202,742</u>	<u>\$ 3,355,430</u>	<u>\$ 6,266,814</u>

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

CITY OF HICKMAN, KENTUCKY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities-			
	Enterprise Funds			
	Gas System	Water System	Sewer System	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,168,894	\$ 437,968	\$ 326,322	\$ 1,933,184
Payments to suppliers	(895,933)	(212,728)	(143,958)	(1,252,619)
Payments for employees	(100,386)	(137,117)	(88,057)	(325,560)
Other receipts	4,200	11,458	9,147	24,805
Net cash provided by operating activities	<u>176,775</u>	<u>99,581</u>	<u>103,454</u>	<u>379,810</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund transfers in(out) to other funds	(191,000)	-	2,200	(188,800)
Net cash provided by noncapital financing activities	<u>(191,000)</u>	<u>-</u>	<u>2,200</u>	<u>(188,800)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from debt	-	-	25,000	25,000
Capital contributions	-	128,874	264,320	393,194
Purchase of capital assets	-	(130,232)	(300,404)	(430,636)
Principal paid on capital debt	-	(26,572)	(117,951)	(144,523)
Interest paid on capital debt	-	(7,047)	(17,650)	(24,697)
Net cash provided by capital and related financing activities	<u>-</u>	<u>(34,977)</u>	<u>(146,685)</u>	<u>(181,662)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	1,362	1,021	1,876	4,259
Net cash provided by investing activities	<u>1,362</u>	<u>1,021</u>	<u>1,876</u>	<u>4,259</u>
Net change in cash	(12,863)	65,625	(39,155)	13,607
Balances-beginning of year	611,410	406,115	329,282	1,346,807
Balances-end of year	<u>\$ 598,547</u>	<u>\$ 471,740</u>	<u>\$ 290,127</u>	<u>\$ 1,360,414</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating expenses:				
Operating income (loss)	\$ 151,950	\$ 22,976	\$ (29,120)	\$ 145,806
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	12,906	74,756	128,393	216,055
(Increase) decrease in:				
Accounts receivable	482	1,395	3,826	5,703
Prepaid utility purchases	12,484	-	-	12,484
Increase (decrease) in:				
Accounts payable and accrued expenses	329	183	(263)	249
Provision for compensated absences	(4,845)	(54)	618	(4,281)
Meter deposits	3,469	325	-	3,794
Net cash provided by operating activities	<u>\$ 176,775</u>	<u>\$ 99,581</u>	<u>\$ 103,454</u>	<u>\$ 379,810</u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	12
DEPOSITS	17
ACCOUNTS RECEIVABLE.....	18
OTHER RECEIVABLE	18
EMPLOYEE RETIREMENT SYSTEM.....	18
CAPITAL ASSETS.....	19
SHORT TERM DEBT	20
LONG TERM DEBT	20
INTEREST ON DEBT	23
RISK MANAGEMENT	23

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Fiduciary Funds are included in these financial statements.

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 funds: Ambulance Fund and Municipal Road Aid Fund. Included in the Permanent fund is the Perpetual Care Fund.

Special Revenue Funds

The Ambulance Fund and Municipal Road Aid 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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

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

Government-Wide And Fund Financial Statements- (Continued)

Proprietary Funds

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days before the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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.

PROPERTY TAX

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

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

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

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

PROPERTY TAX – (Continued)

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

FIXED ASSETS

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

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 costs, 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. The range of lives used for depreciation purposes for each class are as follows:

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

COMPENSATED ABSENCES

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

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

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 assets.

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

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, the fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balance of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

Fund balances are reported in the fund financial statements in the following classifications:

Nonspendable fund balance-this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Restricted fund balance-this includes amounts that can be spent only for specific purposes stipulated by constitution, external resources providers, or through enabling legislation. If the council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed fund balance-this includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned fund balance-this includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

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

FUND EQUITY-(Continued)

Unassigned fund balance-this includes all amounts not included in other spendable classifications.

In the government-wide financial statements, net assets are classified in the following categories:

Investment in capital assets, net of related debt-this category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted net assets-this category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets-this resulting category presents the remaining City net assets and this measure of equity in unrestricted, legally or otherwise.

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for the proprietary fund are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing or investing activities.

EXPENDITURES/EXPENSES

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

Governmental Funds-by charter
 Current-further
 Classified by function
 Debt service
 Capital outlay

In the fund financial statements governmental funds report expenditures of financial resources. Proprietary funds report expenses related to use of economic resources.

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, 2011
(Continued)

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

COMPONENT UNIT

The City considers, as a component unit, the Hickman Urban Renewal and Community Development Agency (HURCDA). HURCDA exists for the purpose of economic development and grant administration for the City of Hickman. Audit reports of this entity are available at the office of the component unit. The component unit has been discretely presented.

USE OF ESTIMATES

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

BUDGETARY INFORMATION

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

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

NOTE B- DEPOSITS

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk in the event of a depository institution failure, the City's deposits may not be returned. The City does not have a depository policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, 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, 2011
(Continued)

NOTE C-ACCOUNTS RECEIVABLE

Governmental Activities:

The accounts receivable for the governmental activities are recorded for various taxes. The accounts receivable balance are recorded net of allowance for uncollectibles.

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 uncollectibles.

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 uncollectibles.

NOTE E-EMPLOYEE RETIREMENT SYSTEM (CERS)

The City of Hickman has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530, administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The City's contribution rate for nonhazardous employees was 16.93 percent.

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. 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.

The amount of contribution by the City for the years ended June 30, 2011, June 30, 2010, and June 30, 2009 respectively was \$89,153, \$81,554, and \$63,607 respectively.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

NOTE F-CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Not Being Depreciated:				
Land	\$ 120,000	\$	\$	\$ 120,000
Total Capital Assets Not Being Depreciated	<u>120,000</u>			<u>120,000</u>
Other Capital Assets:				
Buildings	1,434,764	17,831		1,452,595
Infrastructure	6,159,120			6,159,120
Machinery and Equipment	<u>817,281</u>	<u>10,037</u>		<u>827,318</u>
Total Other Capital Assets	8,411,165	27,868		8,439,033
Accumulated Depreciation :				
Buildings	(615,948)	(31,757)		(647,705)
Infrastructure	(2,534,218)	(132,051)		(2,666,269)
Machinery and Equipment	<u>(476,243)</u>	<u>(29,935)</u>		<u>(506,178)</u>
Total Depreciation	<u>(3,626,409)</u>	<u>(193,743)</u>	-	<u>(3,820,152)</u>
Net Capital Assets	<u>\$ 4,904,756</u>	<u>\$ (165,875)</u>	<u>\$ -</u>	<u>\$ 4,738,881</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 12,748
Police	17,744
Fire	27,008
Public Works (infrastructure)	132,051
Public Works	4,192
Total Depreciation Expense - Governmental Activities	<u>\$ 193,743</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

NOTE F-CAPITAL ASSETS- (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Not Being Depreciated:				
Land	\$ 17,353	\$	\$	\$ 17,353
Other Capital Assets:				
Plant in Service	10,645,536	388,080		11,033,616
Machinery and Equipment	372,513	42,556		415,069
Total Other Capital Assets	<u>11,018,049</u>	<u>430,636</u>		<u>11,448,685</u>
Accumulated Depreciation	<u>(5,394,475)</u>	<u>(216,055)</u>		<u>(5,610,530)</u>
Total Accumulated Depreciation	<u>(5,394,475)</u>	<u>(216,055)</u>		<u>(5,610,530)</u>
Net Capital Assets	<u>\$ 5,640,927</u>	<u>\$ 214,581</u>	<u>\$ -</u>	<u>\$ 5,855,508</u>

NOTE G-SHORT TERM DEBT

Business-Type Activities:

On May 6, 2010, the City of Hickman entered into a note agreement with Citizens Deposit Bank for an operating line of credit for the wastewater system. The line of credit is for \$250,000 at a fixed interest rate of 3.5%. Principal and interest are due at the maturity of the note. As of June 30, 2011, the balance due on the line of credit was \$24,891.

NOTE H-LONG TERM DEBT

Governmental Activities:

The City entered into a note agreement with Citizens Deposit Bank for an operating credit line. Total amount available to the City is \$250,000 at a fixed rate of interest 3.75 percent. The balance due as of June 30, 2011 was \$52,954.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

NOTE H-LONG TERM DEBT-(Continued)

Governmental Activities (Continued):

On July 1, 2008 the City of Hickman entered into a lease agreement with Leasing 2, Inc. for the purpose of purchasing a 2006 International Pumper. The amount authorized was \$80,000, with principal and interest due annually for a term of seven years. Interest on this obligation is 5.68%. The balance at June 30, 2011 was \$38,095. The note is secured by the equipment. Future principal and interest requirements are as follows:

	<u>PRINCIPAL</u>	
2012	\$	12,004
2013		12,685
2014		13,406
Totals	\$	<u>38,095</u>

Business-Type Activities:

The City entered into a note agreement with the KIA (KENTUCKY INFRASTRUCTURE AUTHORITY) for the improvement of the Wastewater facility. The amount authorized to distribute was \$ 1,779,493, with one principal and interest payment due semi-annually for a term of 20 years. Interest on this obligation is 2%. The balance at June 30, 2011 was \$314,088. This note is secured by the wastewater system. Future principal and interest requirements are as follows:

	<u>PRINCIPAL</u>	
2012	\$	102,619
2013		104,682
2014		106,787
Totals	\$	<u>314,088</u>

On September 29, 2000 the City entered into a note agreement with KIA (KENTUCKY INFRASTRUCTURE AUTHORITY) for the improvement of the Water facility. The amount authorized to distribute was \$ 900,523, with principal and interest due semi-annually for a term of 20 years. The balance due at June 30, 2011 was \$325,993. Future principal and interest requirements are as follows:

	<u>PRINCIPAL</u>	
2012	\$	27,052
2013		27,542
2014		28,040
2015		28,546
2016		29,062
2017-2021		153,388
2022		32,363
Totals	\$	<u>325,993</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

NOTE H-LONG TERM DEBT- (Continued)

Business-Type Activities- (Continued):

On August 23, 2003 the City entered into a bond issuance with the USDA for the improvement of the wastewater facility. The amount authorized to distribute was \$ 215,000. The bonds are payable in annual principal and semi-annual interest payments. The balance due at June 30, 2011 was \$200,000. Future principal and interest requirements are as follows:

Per the bond issuance a reserve account has been established which requires an annual deposit of \$1,200 as of June 30, 2011 the required balance was \$9,600. As of June 30, 2011 the reserve account was funded in accordance with the terms of such agreement.

	<u>PRINCIPAL</u>	<u>INTEREST</u>
2012	\$ 3,000	\$ 9,000
2013	3,000	8,865
2014	3,000	8,730
2015	3,500	8,595
2016	3,500	8,438
2017-2021	20,000	39,692
2022-2026	24,500	34,808
2027-2031	30,500	28,756
2032-2036	38,500	21,218
2037-2041	47,500	11,814
2042-2043	23,000	1,575
Totals	<u>\$ 200,000</u>	<u>\$ 181,491</u>

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2011, was as follows:

	<u>JUNE 30, 2010</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2011</u>
Governmental Activities:				
Lease Payable-Wells Fargo	\$ 49,454	\$ -	\$ 11,359	\$ 38,095
Note Payable-Citizens Deposit Bank	75,672	2,200	24,918	52,954
Total Governmental activities	<u>\$ 125,126</u>	<u>\$ 2,200</u>	<u>\$ 36,277</u>	<u>\$ 91,049</u>
Business-Type Activities:				
USDA	\$ 203,000	\$ -	\$ 3,000	\$ 200,000
Kentucky Infrastructure -Wastewater	414,686		100,598	314,088
Kentucky Infrastructure -Water	352,566		26,572	325,994
	<u>\$ 970,252</u>	<u>\$ -</u>	<u>\$ 130,170</u>	<u>\$ 840,082</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011
(Continued)

NOTE I –INTEREST ON DEBT

Interest on debt on the Statement of Activities includes \$5,280 in interest on financing obligations.

NOTE J-RISK MANAGEMENT

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

The City attorney estimates that the amount of actual or potential claims against the City as of June 30, 2011, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims.

**CITY OF HICKMAN, KENTUCKY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ 197,188	\$ 197,188
Resources (inflows):				
Taxes				
Property	123,000	123,000	145,466	22,466
Payroll	277,000	277,000	284,342	7,342
Franchise taxes	23,500	23,500	31,750	8,250
In Lieu of taxes	10,000	10,000	13,778	3,778
Prop tax/ fire appar	27,000	27,000	25,863	(1,137)
Intergovernmental	1,211,083	1,310,043	456,610	(853,433)
Fines and forfeitures	4,925	4,925	15,126	10,201
License and permits	98,400	98,400	92,787	(5,613)
Interest received	3,000	3,000	944	(2,056)
Charges for services	200,525	200,525	229,381	28,856
Miscellaneous	-	-	18,128	18,128
Borrowed monies	175,000	175,000	2,200	(172,800)
Transfer in	123,800	123,800	206,463	82,663
Amounts available for appropriation	<u>2,277,233</u>	<u>2,376,193</u>	<u>1,720,026</u>	<u>(656,167)</u>
Charges to appropriations (outflows):				
General government	1,568,179	1,667,139	966,052	(701,087)
Public safety	421,106	421,106	399,736	(21,370)
Public works	285,238	285,238	116,912	(168,326)
Transfers out	-	-	12,200	12,200
Total charges to appropriations	<u>2,274,523</u>	<u>2,373,483</u>	<u>1,494,900</u>	<u>(878,583)</u>
Budgetary fund balance, June 30	<u>\$ 2,710</u>	<u>\$ 2,710</u>	<u>\$ 225,126</u>	<u>\$ 222,416</u>

CITY OF HICKMAN, KENTUCKY
COMBINING BALANCE SHEETS-NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Municipal Road Aid	Ambulance Fund	Total	Cemetery Care	
ASSETS					
Cash on hand and in banks	\$ -	\$ 10,191	\$ 10,191	\$ 31,821	\$ 42,012
Restricted cash	197,528	-	197,528	274,309	471,837
Receivables (net)	-	10,957	10,957	-	10,957
Total assets	<u>197,528</u>	<u>21,148</u>	<u>218,676</u>	<u>306,130</u>	<u>524,806</u>
FUND BALANCES					
Fund balances:					
Nonspendable				274,309	274,309
Restricted	197,528	-	197,528	-	197,528
Committed	-	21,148	21,148	-	21,148
Assigned	-	-	-	31,821	31,821
Total fund balances	<u>\$ 197,528</u>	<u>\$ 21,148</u>	<u>\$ 218,676</u>	<u>\$ 306,130</u>	<u>\$ 524,806</u>

CITY OF HICKMAN
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES- NON-MAJOR
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2011

	Special Revenue Funds		Total	Permanent	Total Nonmajor Governmental Funds
	Municipal Road Aid	Ambulance Fund		Fund Cemetery Care	
REVENUES					
Intergovernmental	\$ 49,667	\$ -	\$ 49,667	\$ -	\$ 49,667
Charges for services	-	98,638	98,638	9,500	108,138
Investment earnings	826	14	840	8,978	9,818
Total revenues	<u>50,493</u>	<u>98,652</u>	<u>149,145</u>	<u>18,478</u>	<u>167,623</u>
EXPENDITURES					
General government	<u>1,989</u>	<u>100,316</u>	<u>102,305</u>	<u>9,449</u>	<u>111,754</u>
Total expenditures	<u>1,989</u>	<u>100,316</u>	<u>102,305</u>	<u>9,449</u>	<u>111,754</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers (out)	-	(5,463)	(5,463)	-	(5,463)
Total other financing sources (uses)	<u>-</u>	<u>(5,463)</u>	<u>(5,463)</u>	<u>-</u>	<u>(5,463)</u>
Net change in fund balances	48,504	(7,127)	41,377	9,029	50,406
Fund balances-beginning	<u>149,024</u>	<u>28,275</u>	<u>177,299</u>	<u>297,101</u>	<u>474,400</u>
Fund balances-ending	<u>\$ 197,528</u>	<u>\$ 21,148</u>	<u>\$ 218,676</u>	<u>\$ 306,130</u>	<u>\$ 524,806</u>

CITY OF HICKMAN, KENTUCKY
STATEMENT OF DETAILED EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	General Government						Public Works	Public Safety		
	Legislative	Executive	Finance & Administrative	Legal Council	General Services	Code Enforcement	Street & Parks	Police	Fire	Communication Administration
Salaries	\$ 18,928	\$ 43,090	\$ 48,358	\$ -	\$ 4,299	\$ 2,378	\$ 20,590	\$ 135,129	\$ 12,105	\$ 85,161
Payroll taxes	1,448	3,099	3,928	-	-	172	1,829	10,105	399	6,136
Employee benefits	-	4,046	13,129	-	-	-	6,329	10,680	-	17,943
Retirement benefits	-	6,942	8,691	-	-	670	3,513	22,303	-	12,644
Unemployment	-	-	-	-	7,304	-	-	-	-	-
Worker compensation	-	-	-	-	7,000	-	2,700	6,000	810	750
Professional services	-	-	5,546	10,200	16,223	10,833	-	70	-	-
Travel	1,227	1,157	-	-	-	-	-	-	96	-
Training	2,271	216	-	-	-	-	-	2,018	259	1,186
Dues/subscriptions	1,633	-	268	-	-	-	-	350	35	-
Telephone	-	-	3,955	-	-	-	-	-	-	9,536
Advertising	-	-	430	-	2,643	-	-	-	-	-
Insurance	-	49	-	-	36,450	-	-	-	-	-
Office supplies	-	165	5,559	-	-	-	-	36	-	204
Printing	-	-	1,075	-	-	-	-	-	-	-
Postage	-	-	6,586	-	-	-	-	-	-	-
Operating supplies	-	-	3,288	-	-	-	14,393	27	14	420
Operating equipment	-	-	244	-	357	-	820	154	3,142	-
Fuel	-	543	-	-	-	-	5,227	11,252	1,104	-
Maintenance	-	176	-	-	636	-	13,507	6,593	1,033	1,832
Uniforms	-	-	-	-	-	-	604	802	-	83
Utilities	-	-	-	-	9,326	-	42,574	-	-	16,108
Garbage collection	-	-	-	-	204,081	-	-	-	-	-
Contingencies	8,000	-	-	-	6,838	-	-	-	-	-
Animal control	-	-	-	-	1,159	-	-	-	-	-
Inmate meals	-	-	-	-	-	-	-	-	-	-
Debt retirement	-	-	24,918	-	-	-	-	-	11,359	-
Debt interest	-	-	2,473	-	-	-	-	-	2,807	-
Grant expenditures	-	-	-	-	406,214	-	-	3,840	-	-
Capital outlay	-	-	-	-	17,831	-	4,826	-	5,211	-
Total	\$ 33,507	\$ 59,483	\$ 128,448	\$ 10,200	\$ 720,361	\$ 14,053	\$ 116,912	\$ 209,359	\$ 38,374	\$ 152,003



The Honorable Charles Murphy, City of Hickman, Kentucky Mayor
Members of the City of Hickman Council

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*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Hickman, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 29, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hickman's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hickman's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hickman's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be a material weakness, as described below.

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.

Compliance And Other Matters

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

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*- (Continued)

Compliance And Other Matters- (Continued)

This report is intended solely for the information and use of management and the Department of Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Romaine & Associates, PLLC
December 29, 2011