

**CITY OF HICKMAN, KENTUCKY**  
**AUDIT REPORT**  
**JUNE 30, 2018**

**CITY OF HICKMAN, KENTUCKY  
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FOR THE YEAR ENDED JUNE 30, 2018**

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

## **Independent Auditor's Report**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickman, Kentucky as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hickman, Kentucky, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

During fiscal year ended June 30, 2018, the City of Hickman adopted GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which resulted in a restatement of the July 1, 2017 net position in the amount of \$(285,236). Our auditors' opinion was not modified with respect to the restatement.

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

***Other Matters***

*Required Supplementary Information*

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

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

*Other Information*

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

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2019, on our consideration of the City of Hickman, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hickman, Kentucky's internal control over financial reporting and compliance.

Respectfully submitted,



Mayfield, Kentucky  
January 11, 2019

**CITY OF HICKMAN, KENTUCKY**  
**STATEMENT OF NET POSITON**  
**JUNE 30, 2018**

	<b>Primary Government</b>		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash on hand and in banks	\$ 159,519	\$ 610,857	\$ 770,376
Restricted cash	823,836	158,400	982,236
Receivables (net):			
Property tax	4,164		4,164
Accounts receivable, billed, net	-	95,456	95,456
Other receivable	9,970		9,970
Internal balances	2,138,072		2,138,072
Prepaid natural gas		63,965	63,965
Capital assets:			
Non-depreciable	463,453	2,231,671	2,695,124
Depreciable, net	3,896,917	4,675,791	8,572,708
Total assets	<u>7,495,931</u>	<u>7,836,140</u>	<u>15,332,071</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred amounts related to pension	257,055	186,144	443,199
Deferred amounts related to OPEB	68,731	43,943	112,674
Total deferred outflows of resources	<u>325,786</u>	<u>230,087</u>	<u>555,873</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 7,821,717</u>	<u>\$ 8,066,227</u>	<u>\$ 15,887,944</u>
<b>LIABILITIES</b>			
Bank overdrafts			
Accounts payable	19,625	4,524	24,149
Meter deposits		158,400	158,400
Compensated absences	19,173	13,768	32,941
Internal balances		2,138,072	2,138,072
Current portion of long-term debt	54,167	-	54,167
Total current liabilities	<u>92,965</u>	<u>2,314,764</u>	<u>2,407,729</u>
Noncurrent liabilities			
Pension liability	668,256	483,909	1,152,165
Net OPEB liability	241,387	154,329	395,716
Notes payable	2,582,875	98,270	2,681,145
Total noncurrent liabilities	<u>3,492,518</u>	<u>736,508</u>	<u>4,229,026</u>
Total liabilities	<u>3,585,483</u>	<u>3,051,272</u>	<u>6,636,755</u>
<b>DEFERRED INFLOWS</b>			
Deferred amounts related to pension	106,825	77,355	184,180
Deferred amounts related to OPEB	12,638	8,080	20,718
Total deferred inflows of resources	<u>119,463</u>	<u>85,435</u>	<u>204,898</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>\$ 3,704,946</u>	<u>\$ 3,136,707</u>	<u>\$ 6,841,653</u>
<b>NET POSITION</b>			
Investments in capital assets, net of related debt	3,861,400	4,671,120	8,532,520
Restricted	823,836	-	823,836
Unrestricted	(568,465)	258,400	(310,065)
Total net position	<u>\$ 4,116,771</u>	<u>\$ 4,929,520</u>	<u>\$ 9,046,291</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, 2018**

	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	
<b>Functions and Programs</b>						
Governmental activities						
General government	\$ 810,645	\$ 299,506	\$ 4,555	\$ -	\$ (506,584)	\$ -
Public safety	362,439		25,297		(337,142)	-
Public works	256,507		46,908		(209,599)	-
Interest on debt	89,245	-	-	-	(89,245)	-
Total governmental activities	<u>1,518,836</u>	<u>299,506</u>	<u>76,760</u>	<u>-</u>	<u>(1,142,570)</u>	<u>-</u>
Business-type activities:						
Gas fund	955,046	968,910	-	-	-	13,864
Water fund	577,795	405,030	-	-	-	(172,765)
Sewer fund	357,378	319,453	-	-	-	(37,925)
Total business-type activities	<u>1,890,219</u>	<u>1,693,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,826)</u>
Total primary government	<u>3,409,055</u>	<u>1,992,899</u>	<u>76,760</u>	<u>-</u>	<u>(1,142,570)</u>	<u>(196,826)</u>
Totals	<u>\$ 3,409,055</u>	<u>\$ 1,992,899</u>	<u>\$ 76,760</u>	<u>\$ -</u>	<u>(1,142,570)</u>	<u>(196,826)</u>
<b>General revenues:</b>						
Taxes						
Property and motor vehicle taxes					254,455	254,455
Occupational tax					344,302	344,302
Franchise tax					30,343	30,343
License and permits					172,950	172,950
Miscellaneous					41,968	10,961
Interest					6,179	773
Lease reimbursement from water and gas					77,790	77,790
Gain on disposal of assets					6,510	6,510
Transfers, net					(38,138)	38,138
Total general revenues					<u>896,359</u>	<u>49,872</u>
Change in net position					(246,211)	(146,954)
Net position-beginning-(restated)					<u>4,362,982</u>	<u>5,076,474</u>
Net position-ending					<u>\$ 4,116,771</u>	<u>\$ 4,929,520</u>
						<u>\$ 9,046,291</u>

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

**CITY OF HICKMAN, KENTUCKY**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash on hand and in banks	\$ 146,453	\$ 13,066	\$ 159,519
Restricted cash	391,983	431,853	823,836
Receivables (net):			
Property tax	4,164	-	4,164
Other	9,970	-	9,970
Interfund receivable	2,138,072	-	2,138,072
Total assets	\$ 2,690,642	\$ 444,919	\$ 3,135,561
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Encumbrances	\$ 19,625	\$ -	\$ 19,625
Provision for compensated absences	19,173	-	19,173
Total liabilities	38,798	-	38,798
 Fund balances:			
Nonspendable	-	274,306	274,306
Restricted	391,983	157,547	549,530
Assigned	-	13,066	13,066
Unassigned	2,259,861	-	2,259,861
Total fund balances	2,651,844	444,919	3,096,763
Total liabilities and fund balances	\$ 2,690,642	\$ 444,919	\$ 3,135,561

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

Balance sheet-Governmental funds balances	\$ 3,096,763
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds, net of accumulated depreciation.	4,360,370
Deferred outflows of resources are expensed in the current period and, therefore, are not reported in the governmental funds.	325,786
Net pension obligation is not due and payable in the current period and, therefore, are not reported in the governmental funds.	(668,256)
Net OPEB obligation is not due and payable in the current period and, therefore, are not reported in the governmental funds.	(241,387)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(119,463)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,637,042)
Net position of governmental activities	\$ 4,116,771

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, 2018**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Levied for general purposes	\$ 605,803	\$ -	\$ 605,803
Levied for special purposes	23,297		23,297
License and permits	172,950		172,950
Intergovernmental	29,852	46,908	76,760
Charges for services	287,942	11,564	299,506
Fines and forfeitures	5,164		5,164
Interest	2,150	4,029	6,179
Miscellaneous	54,402		54,402
Lease Reimbursement from water and gas	77,790	-	77,790
Total revenues	<u>1,259,350</u>	<u>62,501</u>	<u>1,321,851</u>
<b>EXPENDITURES</b>			
Current:			
General government	691,111	5,913	697,024
Public safety	317,859		317,859
Public works	95,300	413	95,713
Debt service:			
Principal retirement	66,826		66,826
Interest	89,245	-	89,245
Total expenditures	<u>1,260,341</u>	<u>6,326</u>	<u>1,266,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(991)</u>	<u>56,175</u>	<u>55,184</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from debt	32,600		32,600
Operating transfers in	33,843		33,843
Operating transfers out	(68,881)	(3,100)	(71,981)
Total other financing sources(uses)	<u>(2,438)</u>	<u>(3,100)</u>	<u>(5,538)</u>
Net changes in fund balances	(3,429)	53,075	49,646
FUND BALANCES, beginning	<u>2,655,273</u>	<u>391,844</u>	<u>3,047,117</u>
FUND BALANCES, ending	<u>\$ 2,651,844</u>	<u>\$ 444,919</u>	<u>\$ 3,096,763</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, 2018**

**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:	\$ 49,646
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.	(213,784)
Assets disposed of, net book value	(11,088)
Pension expense related to long-term net position obligations that is not included in the governmental funds	(93,911)
OPEB expense related to long-term net position obligations that is not included in the governmental funds	(11,300)
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.	(32,600)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	<u>66,826</u>
Change in net position governmental activities	<u><u>\$ (246,211)</u></u>

**CITY OF HICKMAN, KENTUCKY**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	<b>Business-Type Activities</b>			
	<b>Enterprise Funds</b>			
	Gas System	Water System	Sewer System	Totals
<b>ASSETS</b>				
Current assets:				
Cash on hand and in banks	\$ 396,022	\$ 76,041	\$ 138,794	\$ 610,857
Receivables (net)				
Accounts receivable, billed, net	37,593	33,313	24,550	95,456
Prepaid natural gas	63,965	-	-	63,965
Total current assets	<u>497,580</u>	<u>109,354</u>	<u>163,344</u>	<u>770,278</u>
Noncurrent assets				
Restricted cash	95,828	62,572	-	158,400
Capital assets				
Land	650	16,703	-	17,353
Construction in Progress	654,230	1,560,088	-	2,214,318
Plant and equipment	806,511	4,202,921	6,972,252	11,981,684
Less accumulated depreciation	(786,056)	(2,522,126)	(3,997,711)	(7,305,893)
Total noncurrent assets	<u>771,163</u>	<u>3,320,158</u>	<u>2,974,541</u>	<u>7,065,862</u>
Total assets	<u>1,268,743</u>	<u>3,429,512</u>	<u>3,137,885</u>	<u>\$ 7,836,140</u>
<b>DEFERRED OUTFLOWS</b>				
Deferred amounts related to pension	93,072	70,912	22,160	186,144
Deferred amounts related to OPEB	5,634	27,042	11,267	43,943
Total deferred outflows of resources	<u>98,706</u>	<u>97,954</u>	<u>33,427</u>	<u>230,087</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 1,367,449</u>	<u>\$ 3,527,466</u>	<u>\$ 3,171,312</u>	<u>\$ 8,066,227</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 4,524	\$ -	\$ -	\$ 4,524
Meter deposits with accrued interest	95,828	62,572	-	158,400
Provision for compensated absences	6,902	4,512	2,354	13,768
Total current liabilities	<u>107,254</u>	<u>67,084</u>	<u>2,354</u>	<u>176,692</u>
Noncurrent liabilities				
Pension liability	241,955	184,346	57,608	483,909
Net OPEB liability	19,786	94,971	39,572	154,329
Notes payable, less current portion	-	-	98,270	98,270
Internal balances	631,703	1,506,369	-	2,138,072
Total noncurrent liabilities	<u>893,444</u>	<u>1,785,686</u>	<u>195,450</u>	<u>2,874,580</u>
Total liabilities	<u>1,000,698</u>	<u>1,852,770</u>	<u>197,804</u>	<u>3,051,272</u>
<b>DEFERRED INFLOWS</b>				
Deferred amounts related to pension	38,678	29,468	9,209	77,355
Deferred amounts related to OPEB	1,036	4,972	2,072	8,080
Total deferred inflows of resources	<u>39,714</u>	<u>34,440</u>	<u>11,281</u>	<u>85,435</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>	<u>\$ 1,040,412</u>	<u>\$ 1,887,210</u>	<u>\$ 209,085</u>	<u>\$ 3,136,707</u>
<b>NET POSITION</b>				
Investment in capital assets, net of related debt	43,632	1,751,217	2,876,271	4,671,120
Unrestricted (deficit)	283,405	(110,961)	85,956	258,400
Total net position	<u>\$ 327,037</u>	<u>\$ 1,640,256</u>	<u>\$ 2,962,227</u>	<u>\$ 4,929,520</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, 2018**

	<b>Business-Type Activities</b>			
	<b>Enterprise Funds</b>			
	Gas System	Water System	Sewer System	Totals
<b>Operating revenues:</b>				
Charges for services	\$ 968,910	\$ 405,030	\$ 319,453	\$ 1,693,393
Other miscellaneous revenues	1,920	8,019	1,022	10,961
Total operating revenues	<u>970,830</u>	<u>413,049</u>	<u>320,475</u>	<u>1,704,354</u>
<b>Operating expenses:</b>				
Utility purchases	778,473	-	-	778,473
General expenses	22,073	47,485	16,630	86,188
Salaries and related expenses	25,591	137,097	53,078	215,766
Employee benefits	46,823	77,034	21,652	145,509
Insurance	34,200	26,800	16,000	77,000
Chemicals	-	31,828	13,089	44,917
Purchase power	-	88,220	55,225	143,445
Fuel and vehicle expense	4,335	7,336	6,798	18,469
Professional fees	16,205	5,923	28,714	50,842
Depreciation	4,294	100,304	142,193	246,791
Total operating expense	<u>931,994</u>	<u>522,027</u>	<u>353,379</u>	<u>1,807,400</u>
Operating income (loss)	<u>38,836</u>	<u>(108,978)</u>	<u>(32,904)</u>	<u>(103,046)</u>
<b>Nonoperating revenues (expense)</b>				
Interest revenue	549	92	132	773
Operating transfers in (out)	(2,580)	68,781	(28,063)	38,138
Interest expense	(23,052)	(55,768)	(3,999)	(82,819)
Total nonoperating revenue (expense)	<u>(25,083)</u>	<u>13,105</u>	<u>(31,930)</u>	<u>(43,908)</u>
Change in net position	13,753	(95,873)	(64,834)	(146,954)
Total net position-beginning (Restated)	<u>313,284</u>	<u>1,736,129</u>	<u>3,027,061</u>	<u>5,076,474</u>
Total net position-ending	<u>\$ 327,037</u>	<u>\$ 1,640,256</u>	<u>\$ 2,962,227</u>	<u>\$ 4,929,520</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, 2018**

	<b>Business-Type Activities- Enterprise Funds</b>			Totals
	Gas System	Water System	Sewer System	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 974,444	\$ 409,325	\$ 319,803	\$ 1,703,572
Payments to suppliers	(799,652)	(207,592)	(136,456)	(1,143,700)
Payments for employees	(36,595)	(181,374)	(64,011)	(281,980)
Other receipts/payments	1,920	8,019	1,022	10,961
Net cash provided by operating activities	<u>140,117</u>	<u>28,378</u>	<u>120,358</u>	<u>288,853</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund transfers in(out) to other funds	(2,580)	68,781	(28,063)	38,138
Net cash provided by noncapital financing activities	<u>(2,580)</u>	<u>68,781</u>	<u>(28,063)</u>	<u>38,138</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Net proceeds from interfunds	8,281	19,746	-	28,027
Purchase of capital assets	(20,522)	(54,375)	-	(74,897)
Principal paid on debt	-	-	(27,000)	(27,000)
Interest paid on debt	(23,052)	(55,768)	(3,999)	(82,819)
Net cash provided by capital and related financing activities	<u>(35,293)</u>	<u>(90,397)</u>	<u>(30,999)</u>	<u>(156,689)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest	549	92	132	773
Net cash provided by investing activities	<u>549</u>	<u>92</u>	<u>132</u>	<u>773</u>
Net change in cash	102,793	6,854	61,428	171,075
Balances-beginning of year	389,057	131,759	77,366	598,182
Balances-end of year	<u>\$ 491,850</u>	<u>\$ 138,613</u>	<u>\$ 138,794</u>	<u>\$ 769,257</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating expenses:</b>				
Operating income (loss)	\$ 38,836	\$ (108,978)	\$ (32,904)	\$ (103,046)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	4,294	100,304	142,193	246,791
Pension/OPEB Expense	34,929	30,350	9,949	
(Increase) decrease in:				
Accounts receivable	2,779	927	350	4,056
Prepaid utility purchases	55,975	-	-	55,975
Increase (decrease) in:				
Accounts payable and accrued expenses	(341)	-	-	(341)
Provision for compensated absences	890	2,407	770	4,067
Meter deposits	2,755	3,368	-	6,123
Net cash provided by operating activities	<u>\$ 140,117</u>	<u>\$ 28,378</u>	<u>\$ 120,358</u>	<u>\$ 213,625</u>

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Hickman, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles. The significant accounting policies of the City are described below.

**FINANCIAL REPORTING ENTITY**

The City of Hickman is a municipality governed by a mayor and commissioners. The city was incorporated in 1834 and provides the following services as authorized: public safety (fire, police and dispatch), highways and streets, recreation, planning and zoning, and general administrative services.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities; however, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities demonstrates the degree to which direct expenses, of a given function or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported in separate columns in the fund financial statements.

Governmental Funds

General Fund – This is the primary operating fund of the City. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some functions.

The primary government also has the following non-major fund: Municipal Road Aid Fund. Included in the Permanent Fund is the Perpetual Care Fund.

Special Revenue Funds

The Municipal Road Aid Fund is presented as special revenue funds. Special revenue funds are to account for the proceeds of specific sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

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

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

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018**

**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 preceding years' assessment. The effect of this legislation has been to limit increases in property tax revenues to minimal levels.

**FIXED ASSETS**

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Fixed Assets Account Group.

Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Prior to July 1, 2003, governmental funds infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

**FIXED ASSETS**

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

**COMPENSATED ABSENCES**

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



**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018**

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

**USE OF ESTIMATES**

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

**BUDGETARY INFORMATION**

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

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

**NOTE B-DEPOSITS**

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

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk in the event of a depository institution failure, the City's deposits may not be returned. The City does not have a depository policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2018, all deposits of the primary government were covered by FDIC insurance or a properly executed collateral security agreement.

**NOTE C-ACCOUNTS RECEIVABLE**

**Governmental Activities:**

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

**Business-Type Activities:**

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

**NOTE D-OTHER RECEIVABLE**

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

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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

A. Plan Description

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

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.18 percent.

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

The City contribution for FY 2016 was \$74,110 FY 2017 was \$90,398, and FY 2018 was \$88,690.

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

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

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

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

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

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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

A. Plan Description

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

B. Net Pension Liability

The City net pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	2.3 percent
<b>Salary Increases</b>	3.05 percent, average, including inflation
<b>Investment Rate of Return</b>	6.25 percent., net of pension plant investment expense including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Discount rate assumptions:

**Discount rate:** The discount rate used to measure the total pension liability was 6.25%, which was reduced from the 7.5% discount rate used in the prior year.

**Projected cash flows:** The projection of cash flows used to determine the discount rate assumed the local employers and plan members would contribute the statutorily determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in anticipated gains on actuarial value of assets over the first four years of projection period.

**Long-term rate of return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**Municipal bond rate:** The discount rate determination 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.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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

B. Net Pension Liability-Continued

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4%	2.63%
Global Credit	2%	3.63%
High Yield	7%	5.75%
Emerging Market Debt	5%	5.50%
Private Credit	10%	8.75%
Real Estate	5%	7.63%
Absolute Return	10%	5.63%
Real Return	10%	6.13%
Private equity	10%	8.25%
Cash	2%	1.88%
<b>Total</b>	<b>100%</b>	<b>6.56%</b>

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:

	<b>1% Decrease (5.25%)</b>	<b>Current Discount Rate (6.25%)</b>	<b>1% Increase (7.25%)</b>
City of Hickman's Net Pension Liability	\$ 1,453,129	\$ 1,152,165	\$ 900,411

**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 \$1,152,165. The City proportionated share of the CERS plan was approximately 0.019684% for Nonhazardous service employees. The liability was distributed based on 2017 actual employer contributions to the plan.

**Measurement date:** June 30, 2017 is the actuarial valuation date upon which the total pension liability is based.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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

B. Net Pension Liability-Continued

**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 been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- Payroll growth assumption was reduced from 4.00% to 3.05%.

**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 \$205,330 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.

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	\$ 1,429	\$ 29,247
Difference between projected and actual investment earnings on Plan investments	91,250	76,999
Changes in proportion & differences between employers contributions and proportion share of contributions	70,957	77,934
Change of assumptions	212,606	
Employer contributions subsequent to the measurement date	<u>66,957</u>	<u>-</u>
Total	<u>\$ 443,199</u>	<u>\$ 184,180</u>

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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

B. Net Pension Liability-Continued

The deferred outflows of resources resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. 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>	
2019	\$ 74,983
2020	83,633
2021	48,240
2022	(14,794)
	<u>\$ 192,062</u>

C. OPEB Information

**Total OPEB Liability:** The total other postemployment benefits plan (“OPEB”) was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.05%, average
Investment rate of return	6.25%
Healthcare trend rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

Discount rate assumptions:

**Discount Rate:** The discount rate used to measure the total OPEB liability was 5.84%, which was reduced from the 6.89% discount rate used in the prior year.

**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 26-year amortization period of the unfunded actuarial accrued liability.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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

C. OPEB Information-(Continued)

**Long-Term Rate of Return:** The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the System. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. However, the Board of KRS has the authority to review the assumptions on a more frequent basis and adopt new assumptions prior to the next scheduled experience study. The long-term expected rate of return was determined by using a building-block method in which best- estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**Municipal Bond Rate:** The discount rate determination used a municipal bond rate of 3.56% as reported in Fidelity Index’s “20 – Year Municipal GO AA Index” as of June 30, 2017.

**Period of Projected Benefit Payments:** 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 the actuary’s understanding that any cost associated with the implicit subsidy will not be paid out of the system’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	17.5%	5.97%
International Equity	17.5%	7.85%
Global Bonds	4%	2.63%
Global Credit	2%	3.63%
High Yield	7%	5.75%
Emerging Market Debt	5%	5.50%
Private Credit	10%	8.75%
Real Estate	5%	7.63%
Absolute Return	10%	5.63%
Real Return	10%	6.13%
Private equity	10%	8.25%
Cash	2%	1.88%
<b>Total</b>	<b>100%</b>	<b>6.56%</b>

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.



**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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

C. OPEB Information-(Continued)

**Sensitivity Analysis:** This paragraph requires disclosure of the sensitivity of the net OPEB liability to changes in the discount rate and changes in the healthcare cost trend rate. The following presents the City’s allocated portion of the net OPEB liability of the System, calculated using the discount rate of 5.84%, 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 (4.84 %) or 1-percentage-point higher (6.84 %) than the current rate for non-hazardous:

	<b>1% Decrease (4.84%)</b>	<b>Current Discount Rate (5.84%)</b>	<b>1% Increase (6.84%)</b>
City of Hickman's Net OPEB Liability	\$ 503,526	\$ 395,716	\$ 306,000

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:

	<b>Decrease (1%)</b>	<b>Current Cost Trend Rate</b>	<b>Increase (1%)</b>
City of Hickman's Net OPEB Liability	\$ 303,534	\$ 395,716	\$ 515,546

**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 \$395,716, or approximately 0.019684%. The net OPEB liability was distributed based on 2017 actual employer contributions to the plan.

**Measurement Date:** June 30, 2017 is the actuarial valuation date and 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:

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

**OPEB Expense:** The Board was allocated OPEB expense of \$45,093 related to the CERS for the year ending June 30, 2018.

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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

C. OPEB Information-(Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience		\$ 1,099
Difference between projected and actual investment earnings on Plan investments		18,701
Changes in proportion & differences between employers contributions and proportion share of contributions		918
Change of assumptions	86,105	
Employer contributions subsequent to the measurement date	<u>26,569</u>	<u>-</u>
Total	<u>\$ 112,674</u>	<u>\$ 20,718</u>

Deferred outflows of resources resulting from employer contributions subsequent to the measurement date of \$26,569 which include the implicit subsidy reported of \$4,836, will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. The remainder of the deferred outflows and deferred inflows of resources are amortized over the remaining service lives of participants with remaining amortization as follows:

<u>Year Ending</u>	
2019	\$ 11,250
2020	11,250
2021	11,250
2022	11,250
2023	15,926
Thereafter	<u>4,461</u>
Total	<u>\$ 65,387</u>

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

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE F-CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Not Being Depreciated:				
Land	\$ 161,500	\$	\$	\$ 161,500
Construction in Progress	292,481	9,472		301,953
Total Capital Assets Not Being Depreciated	<u>453,981</u>	<u>9,472</u>		<u>463,453</u>
Other Capital Assets:				
Buildings	1,452,595			1,452,595
Infrastructure	6,866,543			6,866,543
Machinery and Equipment	977,933		27,720	950,213
Total Other Capital Assets	9,297,071		27,720	9,269,351
Accumulated Depreciation:				
Buildings	(837,229)	(29,686)		(866,915)
Infrastructure	(3,535,057)	(160,311)		(3,695,368)
Machinery and Equipment	(793,524)	(33,259)	(16,632)	(810,151)
Total Depreciation	<u>(5,165,810)</u>	<u>(223,256)</u>	<u>(16,632)</u>	<u>(5,372,434)</u>
Net Capital Assets	<u>\$ 4,585,242</u>	<u>\$ (213,784)</u>	<u>\$ 11,088</u>	<u>\$ 4,360,370</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 17,882
Police	20,516
Fire	24,064
Public Works (infrastructure)	160,311
Public Works	483
Total Depreciation Expense - Governmental Activities	<u>\$ 223,256</u>

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**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	2,144,858	69,460		2,214,318
Total Capital Assets Not Being Depreciated	<u>2,162,211</u>	<u>69,460</u>		<u>2,231,671</u>
Other Capital Assets:				
Plant in Service	11,377,440			11,377,440
Machinery and Equipment	598,806	5,438		604,244
Total Other Capital Assets	<u>11,976,246</u>	<u>5,438</u>		<u>11,981,684</u>
Accumulated Depreciation	<u>(7,059,102)</u>	<u>(246,791)</u>		<u>(7,305,893)</u>
Total Accumulated Depreciation	<u>(7,059,102)</u>	<u>(246,791)</u>		<u>(7,305,893)</u>
Net Capital Assets	<u>\$ 7,079,355</u>	<u>\$ (171,893)</u>	<u>\$ -</u>	<u>\$ 6,907,462</u>

**NOTE G-LONG TERM DEBT**

Governmental Activities:

The City entered into a note agreement with Citizens Deposit Bank for an operating credit line. Total amount available to the City is \$250,000 at a fixed rate of interest 3.75 percent. The balance due as of June 30, 2018 was \$27,875.

On October 15, 2014 the City entered into a note agreement with Citizens Deposit Bank for acquisition of a police vehicle. The amount financed was \$27,916 at 4.5% for 63 months. The loan was paid in full during the fiscal year.

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, 2018 was \$2,609,167. Annually debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Principal	Interest
2019	\$ 54,167	\$ 87,006
2020	62,083	85,788
2021	69,167	84,390
2022	79,167	82,834
2023	89,167	81,009
2024-2028	597,916	360,392
2029-2033	921,250	241,366
2034-2037	736,250	59,092
	<u>\$ 2,609,167</u>	<u>\$ 1,081,877</u>

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

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

Business-Type Activities:

The City of Hickman entered into a note agreement with Citizens Deposit Bank for an operating line of credit for the wastewater system. The line of credit is for \$250,000 at a fixed interest rate of 3.5%. Principal and interest are due at the maturity of the note. As of June 30, 2018, the balance due on the line of credit was \$98,270.

Changes in Long-Term Liabilities

Long-term liabilities activities for the year ended June 30, 2018, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Revenue Bond Lease	\$ 2,656,250	\$ -	\$ 47,083	\$ 2,609,167	\$ 54,167
Note Payable-Citizens Bank	15,017	-	15,017	-	-
Note Payable-Citizens Bank-LOC	1	32,600	4,726	27,875	-
	<u>1</u>	<u>32,600</u>	<u>4,726</u>	<u>27,875</u>	<u>-</u>
Governmental Activities Long-term Liabilities	<u>\$ 2,671,268</u>	<u>\$ 32,600</u>	<u>\$ 66,826</u>	<u>\$ 2,637,042</u>	<u>\$ 54,167</u>
<u>Business-Type Activities:</u>					
Note Payable-Citizens Bank- LOC	\$ 125,270	\$ -	\$ 27,000	\$ 98,270	\$ -
Business-Type Activities Long-term Liabilities	<u>\$ 125,270</u>	<u>\$ -</u>	<u>\$ 27,000</u>	<u>\$ 98,270</u>	<u>\$ -</u>

**NOTE H –INTEREST ON DEBT**

Interest on debt on the Statement of Activities includes \$89,245 in interest on revenue bonds and financing obligations.

**NOTE I-INTERFUND TRANSACTIONS**

Interfund loans at June 30, 2018 consist of the following receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 2,138,072	\$ -
Proprietary Funds	-	2,138,072
	<u>\$ 2,138,072</u>	<u>\$ 2,138,072</u>

**CITY OF HICKMAN, KENTUCKY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018, will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims.

**NOTE K-SUBSEQUENT EVENTS**

Management has evaluated subsequent events that may require disclosure in the financial statements through January 11, 2019, the date the financial statements were available to be issued.

**NOTE L: RESTATEMENT OF NET POSITION**

Beginning net position for fiscal year 2017 was restated to implement GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The net position for June 30, 2017 was restated by (\$285,236).

**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, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Net Pension Liability for County Employees Retirement System	\$ 5,853,307,482	\$ 4,923,618,237	\$ 4,299,525,565	\$ 3,244,377,000
Employer's Proportion (Percentage) of Net Pension Liability	0.01968%	0.01811%	0.02308%	0.01868%
Employers Proportion (Amount) of Net Pension Liability	\$ 1,152,165	\$ 891,487	\$ 992,209	\$ 606,000
Employer's Covered-Employer payroll	\$ 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	249.17%	184.22%	228.40%	123.48%
Total Pension Plan's Fiduciary Net Position	\$ 6,687,237,095	\$ 6,141,394	\$ 6,440,800	\$ 6,528,146
Total Pension's Plan Pension Liability	\$ 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	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, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution for pension	\$ 66,957	\$ 90,398	\$ 74,110	\$ 87,677
System's contributions in relation to the statutorily required contribution	<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>
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	\$ 462,408	\$ 483,928	\$ 434,408	\$ 490,761
Contributions as a percentage of its covered employee payroll	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, 2018**

	2018
Total Net OPEB Liability for County Employees Retirement System	\$ 2,010,342,054
Employer's Proportion (Percentage) of Net OPEB Liability	0.01968%
Employers Proportion (Amount) of Net OPEB Liability	395,716
Employer's Covered-Employer payroll	462,408
Employer's Proportionate Share (Amount) of Net OPEB Liability As a Percentage of Employer's Covered-Employer Payroll	85.58%
Total Plan's Fiduciary Net Position	\$ 2,212,535,662
Total OPEB Liability	\$ 4,222,877,716
Total Plan's Fiduciary Net Position as a Percentage to Total OPEB Liability	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, 2018**

	2018
Statutorily required contribution for employer	\$ 21,733
System's contributions in relation to the statutorily required contribution	(21,733)
Annual contribution deficiency (excess)	\$ -
System's contributions as a percentage of statutorily required contribution for pension	100.00%
System's Covered-Employee payroll	\$ 462,408
Contributions as a percentage of its covered employee payroll	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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ 2,655,273	\$ 2,655,273
<b>Resources (inflows):</b>				
Taxes				
Property	203,501	203,501	196,316	(7,185)
Payroll	343,000	343,000	344,302	1,302
Franchise taxes	25,000	25,000	30,343	5,343
In Lieu of taxes	29,000	29,000	34,842	5,842
Prop tax/ fire appar	27,000	27,000	23,297	(3,703)
Intergovernmental	105,188	105,188	29,852	(75,336)
Fines and forfeitures	6,350	6,350	5,164	(1,186)
License and permits	155,710	155,710	172,950	17,240
Interest received	500	500	2,150	1,650
Charges for services	213,695	213,695	287,942	74,247
Miscellaneous	6,500	6,500	54,402	47,902
Borrowed monies	-	106,533	32,600	(73,933)
Lease repayments from water & gas	118,931	118,931	77,790	(41,141)
Transfer in	29,163	29,163	33,843	4,680
Amounts available for appropriation	<u>1,263,538</u>	<u>1,370,071</u>	<u>3,981,066</u>	<u>2,610,995</u>
<b>Charges to appropriations (outflows):</b>				
General government	880,307	957,440	831,608	(125,832)
Public safety	220,472	220,472	333,433	112,961
Public works	162,759	162,759	95,300	(67,459)
Transfers out	-	29,400	68,881	39,481
Total charges to appropriations	<u>1,263,538</u>	<u>1,370,071</u>	<u>1,329,222</u>	<u>(40,849)</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,651,844</u>	<u>\$ 2,651,844</u>

**CITY OF HICKMAN, KENTUCKY  
 BUDGETARY COMPARISON STATEMENT  
 GENERAL FUND-NOTE TO RSI  
 For The Year Ended June 30, 2018**

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

	<u>General Fund</u>
Sources/inflows of resources:	
Actual amounts "available for appropriation" from the budgetary comparison schedule	\$ 3,981,066
Differences-budget to GAAP	
The beginning fund balance is a budgetary resource, but this is not a current year revenue for financial reporting purposes	(2,655,273)
Transfers from other funds are inflows of budgetary resources, but not revenues for financial reporting purposes	<u>(33,843)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 1,259,350</u>
Uses/outflows of resources:	
Actual amount "total charges to appropriations" from the budgetary comparison schedule	\$ 1,329,222
Differences-budget to GAAP:	
Transfers to other funds are outflows of budgetary resources, but are not expenditures for financial reporting purposes	<u>(68,881)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances- governmental funds	<u>\$ 1,260,341</u>

**CITY OF HICKMAN, KENTUCKY**  
**COMBINING BALANCE SHEET-NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	Total Nonmajor
	Municipal Road Aid	Total	Cemetery Care	Governmental Funds
<b>ASSETS</b>				
Cash on hand and in banks	\$ -	\$ -	\$ 13,066	\$ 13,066
Restricted cash	157,547	157,547	274,306	431,853
Total assets	<u>157,547</u>	<u>157,547</u>	<u>287,372</u>	<u>444,919</u>
<b>FUND BALANCES</b>				
Fund balances:				
Nonspendable			274,306	274,306
Restricted	157,547	157,547	-	157,547
Assigned	-	-	13,066	13,066
Total fund balances	<u>\$ 157,547</u>	<u>\$ 157,547</u>	<u>\$ 287,372</u>	<u>\$ 444,919</u>

**CITY OF HICKMAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Special Revenue</u>	<u>Permanent</u>	<u>Total Nonmajor</u>
	<u>Municipal Road</u>	<u>Fund</u>	<u>Governmental</u>
	<u>Aid</u>	<u>Cemetery</u>	<u>Funds</u>
	<u>Care</u>		
<b>REVENUES</b>			
Intergovernmental	\$ 46,908	\$ -	\$ 46,908
Charges for services	-	11,564	11,564
Investment earnings	286	3,743	4,029
Total revenues	<u>47,194</u>	<u>15,307</u>	<u>62,501</u>
<b>EXPENDITURES</b>			
General government	-	5,913	5,913
Public works	413	-	413
Total expenditures	<u>413</u>	<u>5,913</u>	<u>6,326</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers (out)	-	(3,100)	(3,100)
Total other financing sources (uses)	<u>-</u>	<u>(3,100)</u>	<u>(3,100)</u>
Net change in fund balances	46,781	6,294	53,075
Fund balances-beginning	<u>110,766</u>	<u>281,078</u>	<u>391,844</u>
Fund balances-ending	<u>\$ 157,547</u>	<u>\$ 287,372</u>	<u>\$ 444,919</u>

**CITY OF HICKMAN, KENTUCKY**  
**STATEMENT OF DETAILED EXPENDITURES**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	General Government						Public Works	Public Safety	
	Legislative	Executive	Finance & Administrative	Legal Council	General Services	Code Enforcement	Street & Parks	Police	Fire
Salaries	\$ 18,900	\$ 45,000	\$ 54,660	\$ -	\$ 7,595	\$ 3,016	\$ 31,420	\$ 174,062	\$ 13,760
Payroll taxes	1,446	2,686	3,934	-	581	227	2,356	12,642	413
Employee benefits	-	7,823	14,804	-	-	-	9,161	22,105	-
Retirement benefits	-	8,692	11,422	-	595	-	5,814	27,302	777
Worker compensation	-	-	-	-	-	-	-	7,807	2,075
Professional services	-	-	13,399	10,200	16,831	-	-	271	967
Travel	2,310	-	75	-	-	-	-	-	-
Training	-	-	-	-	-	-	-	1,041	-
Dues/subscriptions	-	200	382	-	-	-	-	1,368	1,468
Telephone	-	-	5,904	-	-	-	-	1,475	1,227
Advertising	-	-	970	-	4,754	-	-	-	-
Insurance	-	1,301	-	269	45,047	-	-	-	-
Office supplies	-	-	5,760	-	-	-	-	233	79
Printing	-	-	4,817	-	-	-	-	-	-
Postage	-	-	6,202	-	-	-	-	-	-
Operating supplies	-	-	1,537	-	-	-	8,127	688	378
Operating equipment	-	-	209	-	-	-	6,120	170	17,085
Fuel	-	692	-	-	-	-	6,263	7,285	774
Maintenance	-	1,273	614	-	18,745	-	8,166	4,694	3,438
Uniforms	-	-	-	-	-	-	-	686	-
Utilities	-	-	-	-	10,181	-	17,873	6,200	7,389
Garbage collection	-	-	-	-	184,019	-	-	-	-
Contingencies	8,859	-	-	-	3,119	-	-	-	-
Animal control	-	-	-	-	1,873	-	-	-	-
Ambulance fees	-	-	-	-	87,716	-	-	-	-
Dispatch fees	-	-	-	-	60,000	-	-	-	-
Economic development	-	-	-	-	3,000	-	-	-	-
Debt retirement	-	-	51,809	-	-	-	-	15,017	-
Debt interest	-	-	88,688	-	-	-	-	557	-
Capital outlay	-	-	9,472	-	-	-	-	-	-
Sub-total	31,515	67,667	274,658	10,469	444,056	3,243	95,300	283,603	49,830
Operating transfers out	-	-	-	-	68,881	-	-	-	-
Total	\$ 31,515	\$ 67,667	\$ 274,658	\$ 10,469	\$ 512,937	\$ 3,243	\$ 95,300	\$ 283,603	\$ 49,830



**Independent Auditor's Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards**

The Honorable David Lattus, City of Hickman, Kentucky Mayor  
Members of the City of Hickman Council

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hickman, Kentucky, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Hickman, Kentucky's basic financial statements, and have issued our report thereon dated January 11, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Hickman, Kentucky's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hickman, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hickman, Kentucky's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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



Independent Auditor's Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statements Performed In Accordance With *Government Auditing Standards*

**Purpose of this Report**

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

Respectfully submitted,

*Romaine & Associates, PLLC*

January 11, 2019