

CITY OF
HICKMAN,
KENTUCKY

For the Year Ended June 30,

2012

AUDIT REPORT

**CITY OF HICKMAN, KENTUCKY
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2012**

INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF NET ASSETS	3
STATEMENT OF ACTIVITIES.....	4
BALANCE SHEET - GOVERNMENTAL FUNDS.....	5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS.....	6
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	7
STATEMENTS OF NET ASSETS - PROPRIETARY FUND	8
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND	9
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND.....	10
NOTES TO FINANCIAL STATEMENTS.....	11
BUDGETARY COMPARISON SCHEDULE.....	23
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS	24
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS.....	25
STATEMENT OF DETAILED EXPENDITURES.....	26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	27
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	28
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.....	29
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	33



To the City of Hickman, Kentucky
Honorable David Lattus, 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 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, 2012, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hickman, Kentucky, as of June 30, 2012, 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.

Accounting principles generally accepted in the United States of America require the budgetary comparison information 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 evidence sufficient to express an opinion or provide any assurance.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hickman, Kentucky's basic financial statements as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2012 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.

Respectfully submitted,


December 19, 2012

CITY OF HICKMAN, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			HURCDA Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash on hand and in banks	\$ 44,849	\$ 698,365	\$ 743,214	\$ 12,318
Restricted cash	480,256	250,490	730,746	-
Receivables (net):				
Property tax	2,053	-	2,053	-
Accounts receivable, billed, net	-	104,534	104,534	480
Other receivable	29,530	-	29,530	-
Internal balances	145,060	11,245	156,305	-
Prepaid natural gas		59,577	59,577	
Capital assets:				
Non-depreciable	161,500	17,353	178,853	-
Depreciable, net	4,585,925	5,784,479	10,370,404	-
Total assets	<u>5,449,173</u>	<u>6,926,043</u>	<u>12,375,216</u>	<u>12,798</u>
LIABILITIES				
Accounts payable	19,662	4,839	24,501	12,798
Meter deposits	-	118,490	118,490	-
Accrued interest	-	4,784	4,784	-
Compensated absences	25,708	9,958	35,666	-
Due within one year:				
Notes payable	-	202,606	202,606	-
Total current liabilities	<u>45,370</u>	<u>340,677</u>	<u>386,047</u>	<u>12,798</u>
Noncurrent liabilities				
Internal balances	-	156,305	156,305	-
Notes payable	85,232	194,000	279,232	-
Total noncurrent liabilities	<u>85,232</u>	<u>350,305</u>	<u>435,537</u>	<u>12,798</u>
Total liabilities	<u>130,602</u>	<u>690,982</u>	<u>821,584</u>	<u>12,798</u>
NET ASSETS				
Investments in capital assets, net of related debt	4,662,193	5,458,586	10,120,779	-
Restricted	502,694	250,490	753,184	-
Unrestricted	153,684	525,985	679,669	-
Total net assets	<u>\$ 5,318,571</u>	<u>\$ 6,235,061</u>	<u>\$ 11,553,632</u>	<u>\$ -</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, 2012**

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	\$ 1,290,298	\$ 330,950	\$ 765,014	\$ 48,960	\$ (145,374)	\$ -	\$ (145,374)	\$ -
Public safety	481,048	-	25,124	-	(455,924)	-	(455,924)	-
Public works	284,815	-	56,261	-	(228,554)	-	(228,554)	-
Interest on debt	5,360	-	-	-	(5,360)	-	(5,360)	-
Total governmental activities	<u>2,061,521</u>	<u>330,950</u>	<u>846,399</u>	<u>48,960</u>	<u>(835,212)</u>	<u>-</u>	<u>(835,212)</u>	<u>-</u>
Business-type activities:								
Gas fund	882,120	867,756	-	-	-	(14,364)	(14,364)	-
Water fund	437,502	427,895	-	11,382	-	1,775	1,775	-
Sewer fund	403,906	336,670	-	8,724	-	(58,512)	(58,512)	-
Total business-type activities	<u>1,723,528</u>	<u>1,632,321</u>	<u>-</u>	<u>20,106</u>	<u>-</u>	<u>(71,101)</u>	<u>(71,101)</u>	<u>-</u>
Total primary government	<u>3,785,049</u>	<u>1,963,271</u>	<u>846,399</u>	<u>69,066</u>	<u>(835,212)</u>	<u>(71,101)</u>	<u>(906,313)</u>	<u>-</u>
Component unit:								
HURCDA	55,737	50,460	-	-	-	-	-	(5,277)
Total component unit	<u>55,737</u>	<u>50,460</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,277)</u>
Totals	<u>\$ 3,840,786</u>	<u>\$ 2,013,731</u>	<u>\$ 846,399</u>	<u>\$ 69,066</u>	<u>(835,212)</u>	<u>(71,101)</u>	<u>(906,313)</u>	<u>(5,277)</u>
General revenues:								
Taxes								
Property and motor vehicle taxes					188,150		188,150	
Occupational tax					294,719		294,719	
Franchise tax					24,103		24,103	
License and permits					94,498		94,498	
Miscellaneous					41,245	143,492	184,737	214
Interest					8,002	2,642	10,644	
Transfers, net					106,786	(106,786)	-	-
Total general revenues					<u>757,503</u>	<u>39,348</u>	<u>796,851</u>	<u>214</u>
Change in net assets					(77,709)	(31,753)	(109,462)	(5,063)
Net assets-beginning					<u>5,396,280</u>	<u>6,266,814</u>	<u>11,663,094</u>	<u>5,063</u>
Net assets-ending					<u>\$ 5,318,571</u>	<u>\$ 6,235,061</u>	<u>\$ 11,553,632</u>	<u>\$ -</u>

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

**CITY OF HICKMAN, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash on hand and in banks	\$ 22,411	\$ 22,438	\$ 44,849
Restricted cash	61,205	419,051	480,256
Receivables (net):			
Property tax	2,053	-	2,053
Other	29,530	-	29,530
Internal balances	145,060	-	145,060
Total assets	\$ 260,259	\$ 441,489	\$ 701,748
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Encumbrances	\$ 19,662	\$ -	\$ 19,662
Provision for compensated absences	25,708	-	25,708
Total liabilities	45,370	-	45,370
 Fund balances:			
Nonspendable	-	274,306	274,306
Restricted	61,205	144,745	205,950
Assigned	-	22,438	22,438
Unassigned	153,684	-	153,684
Total fund balances	214,889	441,489	656,378
Total liabilities and fund balances	\$ 260,259	\$ 441,489	\$ 701,748

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

Balance sheets-Governmental fund balances	\$ 656,378
Capital assets used in governmental activities are not financial resources and therefore are not reported in funds, net of accumulated depreciation.	4,747,425
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	(85,232)
Net assets of governmental activities	\$ 5,318,571

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, 2012

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Levied for general purposes	\$ 480,559	\$ -	\$ 480,559
Levied for special purposes	26,413	-	26,413
License and permits	94,498	-	94,498
Intergovernmental	839,098	56,261	895,359
Charges for services	234,036	96,914	330,950
Fines and forfeitures	17,676	-	17,676
Interest	440	7,562	8,002
Miscellaneous	23,569	-	23,569
Total revenues	<u>1,716,289</u>	<u>160,737</u>	<u>1,877,026</u>
EXPENDITURES			
Current:			
General government	1,256,555	95,920	1,352,475
Public safety	462,131	-	462,131
Public works	140,590	109,509	250,099
Debt service:			
Principal retirement	101,074	-	101,074
Interest	5,360	-	5,360
Total expenditures	<u>1,965,710</u>	<u>205,429</u>	<u>2,171,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(249,421)</u>	<u>(44,692)</u>	<u>(294,113)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from debt	95,258	-	95,258
Operating transfers in	244,625	-	244,625
Operating transfers out	(99,214)	(38,625)	(137,839)
Total other financing sources(uses)	<u>240,669</u>	<u>(38,625)</u>	<u>202,044</u>
Net changes in fund balances	(8,752)	(83,317)	(92,069)
FUND BALANCES, beginning	<u>223,641</u>	<u>524,806</u>	<u>748,447</u>
FUND BALANCES, ending	<u>\$ 214,889</u>	<u>\$ 441,489</u>	<u>\$ 656,378</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, 2012

**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:	\$ (92,069)
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.	8,544
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.	(95,258)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	<u>101,074</u>
Change in net assets governmental activities	<u>\$ (77,709)</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, 2012

	Business-Type Activities			Totals
	Enterprise Funds			
	Gas System	Water System	Sewer System	
ASSETS				
Current assets:				
Cash on hand and in banks	\$ 433,071	\$ 190,883	\$ 74,411	\$ 698,365
Receivables (net)				
Accounts receivable, billed, net	39,982	36,398	28,154	104,534
Prepaid natural gas	59,577			59,577
Internal balances	11,245	-	-	11,245
Total current assets	<u>543,875</u>	<u>227,281</u>	<u>102,565</u>	<u>873,721</u>
Noncurrent assets				
Restricted cash	71,195	167,295	12,000	250,490
Capital assets				
Land	650	16,703	-	17,353
Plant and equipment	772,510	3,938,636	6,915,194	11,626,340
Less accumulated depreciation	(740,882)	(1,961,857)	(3,139,122)	(5,841,861)
Total noncurrent assets	<u>103,473</u>	<u>2,160,777</u>	<u>3,788,072</u>	<u>6,052,322</u>
Total assets	<u>\$ 647,348</u>	<u>\$ 2,388,058</u>	<u>\$ 3,890,637</u>	<u>\$ 6,926,043</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,839	\$ -	\$ -	\$ 4,839
Meter deposits with accrued interest	71,195	47,295	-	118,490
Accrued interest	-	352	4,432	4,784
Provision for compensated absences	6,498	1,360	2,100	9,958
Notes payable			53,360	53,360
Current portion of long term debt	-	146,246	3,000	149,246
Total current liabilities	<u>82,532</u>	<u>195,253</u>	<u>62,892</u>	<u>340,677</u>
Noncurrent liabilities				
Internal balances	-	-	156,305	156,305
Notes payable, less current portion	-	-	194,000	194,000
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>350,305</u>	<u>350,305</u>
Total liabilities	<u>82,532</u>	<u>195,253</u>	<u>413,197</u>	<u>690,982</u>
NET ASSETS				
Investment in capital assets, net of related debt	32,278	1,847,236	3,579,072	5,458,586
Restricted	71,195	167,295	12,000	250,490
Unrestricted (deficit)	461,343	178,274	(113,632)	525,985
Total net assets	<u>\$ 564,816</u>	<u>\$ 2,192,805</u>	<u>\$ 3,477,440</u>	<u>\$ 6,235,061</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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds			Totals
	Gas System	Water System	Sewer System	
Operating revenues:				
Charges for services	\$ 867,756	\$ 427,895	\$ 336,670	\$ 1,632,321
Other miscellaneous revenues	92	5,971	137,429	143,492
Total operating revenues	<u>867,848</u>	<u>433,866</u>	<u>474,099</u>	<u>1,775,813</u>
Operating expenses:				
Utility purchases	692,068	-	-	692,068
General expenses	32,799	75,871	30,501	139,171
Salaries and related expenses	73,452	82,488	65,773	221,713
Employee benefits	25,671	32,990	25,378	84,039
Insurance	26,000	24,185	12,000	62,185
Chemicals	-	38,388	13,611	51,999
Purchase power	-	83,782	71,845	155,627
Fuel and vehicle expense	6,331	6,282	8,512	21,125
Professional fees	12,893	11,215	18,075	42,183
Depreciation	12,906	77,253	141,172	231,331
Total operating expense	<u>882,120</u>	<u>432,454</u>	<u>386,867</u>	<u>1,701,441</u>
Operating income (loss)	<u>(14,272)</u>	<u>1,412</u>	<u>87,232</u>	<u>74,372</u>
Nonoperating revenues (expense)				
Interest revenue	814	751	1,077	2,642
Operating transfers in (out)	(130,368)	(18,434)	42,016	(106,786)
Interest expense	-	(5,048)	(17,039)	(22,087)
Total nonoperating revenue (expense)	<u>(129,554)</u>	<u>(22,731)</u>	<u>26,054</u>	<u>(126,231)</u>
Income (loss) before contributions	(143,826)	(21,319)	113,286	(51,859)
Capital contributions	-	11,382	8,724	20,106
Change in net assets	(143,826)	(9,937)	122,010	(31,753)
Total net assets-beginning, restated	<u>708,642</u>	<u>2,202,742</u>	<u>3,355,430</u>	<u>6,266,814</u>
Total net assets-ending	<u>\$ 564,816</u>	<u>\$ 2,192,805</u>	<u>\$ 3,477,440</u>	<u>\$ 6,235,061</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, 2012**

	Business-Type Activities- Enterprise Funds			Totals
	Gas System	Water System	Sewer System	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 888,669	\$ 428,064	\$ 336,869	\$ 1,653,602
Payments to suppliers	(754,211)	(241,565)	(155,352)	(1,151,128)
Payments for employees	(99,277)	(114,935)	(91,163)	(305,375)
Other receipts	92	5,971	137,429	143,492
Net cash provided by operating activities	<u>35,273</u>	<u>77,535</u>	<u>227,783</u>	<u>340,591</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund transfers in(out) to other funds	(130,368)	(18,434)	42,016	(106,786)
Net cash provided by noncapital financing activities	<u>(130,368)</u>	<u>(18,434)</u>	<u>42,016</u>	<u>(106,786)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from debt	-	-	160,500	160,500
Capital contributions	-	11,382	8,724	20,106
Purchase of capital assets	-	-	(177,657)	(177,657)
Principal paid on capital debt	-	(179,748)	(449,120)	(628,868)
Interest paid on capital debt	-	(5,048)	(17,039)	(22,087)
Net cash provided by capital and related financing activities	<u>-</u>	<u>(173,414)</u>	<u>(474,592)</u>	<u>(648,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest	814	751	1,077	2,642
Net cash provided by investing activities	<u>814</u>	<u>751</u>	<u>1,077</u>	<u>2,642</u>
Net change in cash	(94,281)	(113,562)	(203,716)	(411,559)
Balances-beginning of year	598,547	471,740	290,127	1,360,414
Balances-end of year	<u>\$ 504,266</u>	<u>\$ 358,178</u>	<u>\$ 86,411</u>	<u>\$ 948,855</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating expenses:				
Operating income (loss)	\$ (14,272)	\$ 1,412	\$ 87,232	\$ 74,372
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	12,906	77,253	141,172	231,331
(Increase) decrease in:				
Accounts receivable	20,121	(1,819)	199	18,501
Prepaid utility purchases	15,734	-	-	15,734
Increase (decrease) in:				
Accounts payable and accrued expenses	146	(1,842)	(808)	(2,504)
Provision for compensated absences	(154)	543	(12)	377
Meter deposits	792	1,988	-	2,780
Net cash provided by operating activities	<u>\$ 35,273</u>	<u>\$ 77,535</u>	<u>\$ 227,783</u>	<u>\$ 340,591</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..... 17
OTHER RECEIVABLE 17
EMPLOYEE RETIREMENT SYSTEM..... 18
CAPITAL ASSETS..... 19
SHORT TERM DEBT..... 20
LONG TERM DEBT 20
INTEREST ON DEBT 22
RISK MANAGEMENT 22

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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, 2012
(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.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit: Hickman Urban Renewal and Community Development.

This component unit is presented in separate column in the combined financial statements. This is also reported on the Statement of Net Assets and the Statement of Activities in a separate total column that is labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(Continued)

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

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.

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:

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

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(Continued)

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

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.

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

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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(Continued)

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

FUND EQUITY-(Continued)

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 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, amount 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.

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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(Continued)

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, 2012, 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 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.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(Continued)

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 pension 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 county's contribution rate for nonhazardous employees was 18.96 percent.

The city's contribution for FY 2010 was \$81,554, FY 2011 was \$89,153, and FY 2012 was \$103,939.

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.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

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

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

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(Continued)

NOTE F-CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 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	\$ 41,500	\$ -	\$ 161,500
Total Capital Assets Not Being Depreciated	<u>120,000</u>	<u>41,500</u>	<u>-</u>	<u>161,500</u>
Other Capital Assets:				
Buildings	1,452,595			1,452,595
Infrastructure	6,159,120	103,993		6,263,113
Machinery and Equipment	<u>827,318</u>	<u>71,681</u>	<u>-</u>	<u>898,999</u>
Total Other Capital Assets	8,439,033	175,674	-	8,614,707
Accumulated Depreciation :				
Buildings	(647,705)	(32,538)		(680,243)
Infrastructure	(2,666,269)	(134,094)		(2,800,363)
Machinery and Equipment	<u>(506,178)</u>	<u>(41,998)</u>	<u>-</u>	<u>(548,176)</u>
Total Depreciation	<u>(3,820,152)</u>	<u>(208,630)</u>	<u>-</u>	<u>(4,028,782)</u>
Net Capital Assets	<u>\$ 4,738,881</u>	<u>\$ 8,544</u>	<u>\$ -</u>	<u>\$ 4,747,425</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 22,081
Police	20,110
Fire	27,730
Public Works (infrastructure)	134,094
Public Works	4,615
Total Depreciation Expense - Governmental Activities	<u>\$ 208,630</u>

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(Continued)

NOTE F-CAPITAL ASSETS- (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Business-Type Activities:</u>				
Not Being Depreciated:				
Land	\$ 17,353	\$	\$	\$ 17,353
Other Capital Assets:				
Plant in Service	11,033,615	177,658		11,211,273
Machinery and Equipment	415,067			415,067
Total Other Capital Assets	<u>11,448,682</u>	<u>177,658</u>		<u>11,626,340</u>
Accumulated Depreciation	<u>(5,610,530)</u>	<u>(231,331)</u>		<u>(5,841,861)</u>
Total Accumulated Depreciation	<u>(5,610,530)</u>	<u>(231,331)</u>		<u>(5,841,861)</u>
Net Capital Assets	<u>\$ 5,855,505</u>	<u>\$ (53,673)</u>	<u>\$ -</u>	<u>\$ 5,801,832</u>

NOTE G-SHORT TERM DEBT

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, 2012, the balance due on the line of credit was \$53,360.

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, 2012 was \$85,232.

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(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 City paid the complete note balance of \$38,095 during the year.

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%. This note was secured by the wastewater system. The City paid the complete note balance of \$314,088 during the year.

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, 2012 was \$146,246. Subsequent to the year ended the City has paid the balance due to KIA for this note agreement, thus the future principal and interest requirements are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>
2013	\$ 146,246	\$ 921
Totals	\$ 146,246	\$ 921

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, 2012 was \$197,000. 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, 2012 the required balance was \$10,800. As of June 30, 2012 the reserve account was funded in accordance with the terms of such agreement.

	<u>PRINCIPAL</u>	<u>INTEREST</u>
2013	\$ 3,000	\$ 8,865
2014	3,000	8,730
2015	3,500	8,595
2016	3,500	8,438
2017	3,500	8,280
2018-2022	21,000	38,792
2023-2027	25,500	33,706
2028-2032	32,000	27,383
2033-2037	40,000	19,486
2038-2042	50,000	9,676
2043	12,000	540
Totals	\$ 197,000	\$ 172,491

CITY OF HICKMAN, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012
(Continued)

NOTE H-LONG TERM DEBT- (Continued)

Changes in Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2012, was as follows:

	<u>JUNE 30, 2011</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2012</u>
Governmental Activities:				
Lease Payable-Wells Fargo	\$ 38,095	\$ -	\$ 38,095	\$ -
Note Payable-Citizens Deposit Bank	52,954	95,258	62,979	85,233
Total Governmental activities	<u>\$ 91,049</u>	<u>\$ 95,258</u>	<u>\$ 101,074</u>	<u>\$ 85,233</u>
 Business-Type Activities:				
USDA	\$ 200,000	\$ -	\$ 3,000	\$ 197,000
Kentucky Infrastructure -Wastewater	314,088		314,088	-
Kentucky Infrastructure -Water	325,994		179,748	146,246
	<u>\$ 840,082</u>	<u>\$ -</u>	<u>\$ 496,836</u>	<u>\$ 343,246</u>

NOTE I -INTEREST ON DEBT

Interest on debt on the Statement of Activities includes \$5,360 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, 2012, 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, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ -	\$ -	\$ 223,641	\$ 223,641
Resources (inflows):				
Taxes				
Property	137,800	137,800	152,394	14,594
Payroll	277,000	277,000	294,719	17,719
Franchise taxes	31,500	31,500	24,103	(7,397)
In Lieu of taxes	11,550	11,550	9,343	(2,207)
Prop tax/ fire appar	25,800	25,800	26,413	613
Intergovernmental	693,737	693,737	839,098	145,361
Fines and forfeitures	9,800	9,800	17,676	7,876
License and permits	93,900	93,900	94,498	598
Interest received	1,500	1,500	440	(1,060)
Charges for services	192,359	192,359	234,036	41,677
Miscellaneous	-	-	23,569	23,569
Borrowed monies	162,500	162,500	95,258	(67,242)
Transfer in	245,061	245,061	244,625	(436)
Amounts available for appropriation	<u>1,882,507</u>	<u>1,882,507</u>	<u>2,279,813</u>	<u>397,306</u>
Charges to appropriations (outflows):				
General government	1,287,088	1,287,088	1,321,995	34,907
Public safety	444,419	444,419	503,125	58,706
Public works	136,000	136,000	140,590	4,590
Transfers out	15,000	15,000	99,214	84,214
Total charges to appropriations	<u>1,882,507</u>	<u>1,882,507</u>	<u>2,064,924</u>	<u>182,417</u>
Budgetary fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,889</u>	<u>\$ 214,889</u>

CITY OF HICKMAN, KENTUCKY
COMBINING BALANCE SHEET-NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Municipal Road Aid</u>	<u>Total</u>	<u>Cemetery Care</u>	
ASSETS				
Cash on hand and in banks	\$ -	\$ -	\$ 22,438	\$ 22,438
Restricted cash	144,745	144,745	274,306	419,051
Total assets	<u>144,745</u>	<u>144,745</u>	<u>296,744</u>	<u>441,489</u>
FUND BALANCES				
Fund balances:				
Nonspendable			274,306	274,306
Restricted	144,745	144,745	-	144,745
Assigned	-	-	22,438	22,438
Total fund balances	<u>\$ 144,745</u>	<u>\$ 144,745</u>	<u>\$ 296,744</u>	<u>\$ 441,489</u>

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

CITY OF HICKMAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES- NON-MAJOR
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED
JUNE 30, 2012

	Special Revenue Funds			Permanent	Total Nonmajor Governmental Funds
	Municipal Road Aid	Ambulance Fund	Total	Fund Cemetery Care	
REVENUES					
Intergovernmental	\$ 56,261	\$ -	\$ 56,261	\$ -	\$ 56,261
Charges for services	-	88,095	88,095	8,819	96,914
Investment earnings	465	-	465	7,097	7,562
Total revenues	<u>56,726</u>	<u>88,095</u>	<u>144,821</u>	<u>15,916</u>	<u>160,737</u>
EXPENDITURES					
General government	-	70,618	70,618	25,302	95,920
Public works	109,509	-	109,509	-	109,509
Total expenditures	<u>109,509</u>	<u>70,618</u>	<u>180,127</u>	<u>25,302</u>	<u>205,429</u>
OTHER FINANCING SOURCES (USES)					
Transfers (out)	-	(38,625)	(38,625)	-	(38,625)
Total other financing sources (uses)	<u>-</u>	<u>(38,625)</u>	<u>(38,625)</u>	<u>-</u>	<u>(38,625)</u>
Net change in fund balances	(52,783)	(21,148)	(73,931)	(9,386)	(83,317)
Fund balances-beginning	<u>197,528</u>	<u>21,148</u>	<u>218,676</u>	<u>306,130</u>	<u>524,806</u>
Fund balances-ending	<u>\$ 144,745</u>	<u>\$ -</u>	<u>\$ 144,745</u>	<u>\$ 296,744</u>	<u>\$ 441,489</u>

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

CITY OF HICKMAN, KENTUCKY
STATEMENT OF DETAILED EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	General Government						Public Works	Public Safety		
	Legislative	Executive	Finance & Administrative	Legal Council	General Services	Code Enforcement	Street & Parks	Police	Fire	Communication Administration
Salaries	\$ 18,600	\$ 43,406	\$ 53,740	\$ -	\$ -	\$ 2,900	\$ 28,589	\$ 144,250	\$ 11,945	\$ 88,034
Payroll taxes	1,423	3,163	3,920	-	-	207	2,045	10,006	382	6,287
Employee benefits	-	-	14,402	-	-	402	5,018	36,155	-	25,067
Retirement benefits	-	7,392	9,901	-	-	-	5,802	27,196	853	14,557
Unemployment	-	-	-	-	13,560	-	-	-	-	-
Worker compensation	-	-	-	-	4,876	-	2,700	6,000	810	-
Professional services	-	-	8,020	10,200	45,218	10,000	-	120	1,937	-
Travel	98	1,320	465	-	-	-	-	-	-	-
Training	2,780	-	-	-	-	-	-	1,769	-	590
Dues/subscriptions	2,052	-	290	-	-	-	-	400	85	-
Telephone	-	-	4,482	-	-	-	-	-	-	9,399
Advertising	-	-	538	-	2,538	-	-	-	-	-
Insurance	-	-	-	75	34,087	-	-	-	-	-
Office supplies	-	116	4,592	-	-	-	-	3	-	221
Printing	-	-	1,082	-	-	-	-	-	-	-
Postage	-	-	6,238	-	-	-	-	-	-	-
Operating supplies	-	-	2,650	-	177	-	26,254	554	470	588
Operating equipment	-	-	46	-	-	-	1,673	3,336	4,933	-
Fuel	-	1,191	-	-	-	-	6,130	10,480	1,173	-
Maintenance	-	130	-	-	2,445	-	14,661	4,597	3,083	1,383
Uniforms	-	-	-	-	-	-	1,067	181	-	-
Utilities	-	-	-	-	7,547	-	46,651	-	-	16,364
Garbage collection	-	-	-	-	208,486	-	-	-	-	-
Contingencies	8,839	-	-	-	2,918	-	-	-	-	-
Animal control	-	-	-	-	823	-	-	-	-	-
Inmate meals	-	-	-	-	-	-	-	-	-	-
Debt retirement	-	-	62,980	-	-	-	-	-	38,094	-
Debt interest	-	-	2,460	-	-	-	-	-	2,900	-
Grant expenditures	-	-	-	-	624,962	-	-	-	-	-
Capital outlay	-	-	-	-	84,258	-	-	23,662	5,261	-
Sub-total	33,792	56,718	175,806	10,275	1,031,895	13,509	140,590	268,709	71,926	162,490
Operating transfers out	-	-	-	-	-	-	-	-	-	-
Total	\$ 33,792	\$ 56,718	\$ 175,806	\$ 10,275	\$ 1,031,895	\$ 13,509	\$ 140,590	\$ 268,709	\$ 71,926	\$ 162,490

CITY OF HICKMAN, KENTUCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended

Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Pass- through Grantors Number	Expenditures
U.S. Department of Homeland Security			
Kentucky Office of Homeland Security Homeland Security Grant Program	97.067	PO2 094 12000020431	\$ 3,200
Kentucky Office of Homeland Security Disaster Grants-Public Assistance	97.036	DR-1976	\$ 92,771
Kentucky Division of Emergency Management Hazard Mitigation Grant	97.039	PON2 095 11000015691	<u>33,305</u>
Total U.S. Department of Homeland Security			<u>129,276</u>
U. S. Department of Housing and Urban Development			
Department For Local Government Community Development Block Grant	*** 14.228	09-035	592,959
Community Development Block Grant		10D-025	<u>48,960</u>
Total U.S. Department of Housing and Urban Development			<u>641,919</u>
TOTAL EXPEDITURES OF FEDERAL AWARDS			<u>\$ 771,195</u>

*** Tested as major program

CITY OF HICKMAN, KENTUCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Hickman, Kentucky and is presented on a accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.



The Honorable David Lattus, 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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2012. 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

Management of the City of Hickman is responsible for establishing and maintaining effective 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 opinions 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.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Romaine & Associates, PLLC
December 19, 2012

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

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133

Independent Auditor's Report

Compliance

We have audited the compliance of the City of Hickman, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City of Hickman's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Hickman's management. Our responsibility is to express an opinion on the City of Hickman's compliance based on our audit.

We conducted our audit of compliance 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; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The City of Hickman's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The City of Hickman's compliance with those requirements.

In our opinion, The City of Hickman complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of The City of Hickman is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The City of Hickman's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The City of Hickman's internal control over compliance.

Report On Compliance With Requirements
That Could Have A Direct And Material Effect On Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Romaine + Associates, PLLC

December 19, 2012

**CITY OF HICKMAN, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2012**

Section I- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes _____ no

Noncompliance material to financial statements noted? _____ yes _____ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiencies identified that are not considered to be material weakness(es)? _____ yes _____ no

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes _____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Clusters</u>
14.228	Community Development Block Grant

Dollar threshold used to distinguish Between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes _____ no

CITY OF HICKMAN, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2012
(Continued)

Section II- Financial Statement Findings

No matters were reported.

Section III- Federal Award Findings and Questioned Costs

No matters were reported.