

**REPORT OF THE AUDIT OF THE  
HICKMAN COUNTY  
FISCAL COURT**

**For The Year Ended  
June 30, 2017**



**MIKE HARMON  
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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
The Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
The Honorable Kenny Wilson, Hickman County Judge/Executive  
Members of the Hickman County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Hickman County Fiscal Court, for the year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Hickman County Fiscal Court's financial statement as listed in the table of contents.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement 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 and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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



To the People of Kentucky  
The Honorable Matthew G. Bevin, Governor  
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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the Hickman County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Hickman County Fiscal Court as of June 30, 2017, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of the Hickman County Fiscal Court as of June 30, 2017, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Hickman County Fiscal Court. The Budgetary Comparison Schedules and the Capital Asset Schedule are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules and Capital Asset Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules and the Capital Asset Schedule are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky  
 The Honorable Matthew G. Bevin, Governor  
 William M. Landrum III, Secretary  
 Finance and Administration Cabinet  
 The Honorable Kenny Wilson, Hickman County Judge/Executive  
 Members of the Hickman County Fiscal Court

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of the Hickman County Fiscal Court'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* in considering the Hickman County Fiscal Court's internal control over financial reporting and compliance.

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

- 2017-001 The Hickman County Fiscal Court Did Not Require Monthly Bank Reconciliations Of The Payroll Revolving Accounts
- 2017-002 The Hickman County Fiscal Court Did Not Report Proper Amount Of Employer's Share Of Retirement
- 2017-003 The Hickman County Fiscal Court Did Not Utilize A Purchase Order System
- 2017-004 The Hickman County Fiscal Court's Outstanding Liability Section Was Understated By \$1,675,000
- 2017-005 The Hickman County Fiscal Court's Schedule Of Capital Assets Did Not Include \$225,748 In Construction Costs For Rotary Park Project
- 2017-006 The Hickman County Jailer Did Not Maintain Proper Accounting Records Or Submit An Annual Financial Report For The Commissary Fund
- 2017-007 The Hickman County Fiscal Court Did Not Report Encumbrances On Quarterly Financial Reports

Respectfully submitted,



Mike Harmon  
 Auditor of Public Accounts

November 21, 2018

**HICKMAN COUNTY OFFICIALS****For The Year Ended June 30, 2017****Fiscal Court Members:**

Kenny Wilson	County Judge/Executive
Irvin Stroud	Magistrate
Kory Noranjo	Magistrate
Henry Cole	Magistrate

**Other Elected Officials:**

Jason Batts	County Attorney
Chad Barber	Jailer
James Berry	County Clerk
Cinda Yates	Circuit Court Clerk
Mark Green	Sheriff
Amanda Ballentine	Property Valuation Administrator
Paula Boaz	Coroner

**Appointed Personnel:**

Dawn Mathis	Deputy Judge Executive
Wynita Dillard	Former County Treasurer
Amy Crump	County Treasurer

**HICKMAN COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2017**

**HICKMAN COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2017**

	<b>Budgeted Funds</b>			
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>RECEIPTS</b>				
Taxes	\$ 824,577	\$	\$	\$
In Lieu Tax Payments	56,632			
Excess Fees	46,190			
Licenses and Permits	6,642			
Intergovernmental	230,537	1,152,663	77,715	97
Charges for Services			39,991	
Miscellaneous	459,962	36,681	2,042	
Interest	2,467	1,492	40	3
Total Receipts	<u>1,627,007</u>	<u>1,190,836</u>	<u>119,788</u>	<u>100</u>
<b>DISBURSEMENTS</b>				
General Government	720,710			3,045
Protection to Persons and Property	216,266		174,409	
General Health and Sanitation	1,338			
Social Services	34,300			
Recreation and Culture	9,400			
Roads		871,519		
Debt Service	23,731	19,692		
Capital Projects	225,748			
Administration	362,392	138,645	24,316	903
Total Disbursements	<u>1,593,885</u>	<u>1,029,856</u>	<u>198,725</u>	<u>3,948</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>33,122</u>	<u>160,980</u>	<u>(78,937)</u>	<u>(3,848)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Payroll Revolving Accounts	8,174			
Transfers From Other Funds	228,977		219,363	5,960
Transfers To Other Funds	<u>(288,005)</u>	<u>(228,977)</u>	<u>(146,863)</u>	
Total Other Adjustments to Cash (Uses)	<u>(50,854)</u>	<u>(228,977)</u>	<u>72,500</u>	<u>5,960</u>
Net Change in Fund Balance	(17,732)	(67,997)	(6,437)	2,112
Fund Balance - Beginning (Restated)	<u>236,931</u>	<u>117,497</u>	<u>9,706</u>	<u>36</u>
Fund Balance - Ending	<u>\$ 219,199</u>	<u>\$ 49,500</u>	<u>\$ 3,269</u>	<u>\$ 2,148</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 214,017	\$ 49,582	\$ 3,444	\$ 2,148
Plus: Payroll Revolving Accounts	8,174			
Less: Outstanding Checks	<u>(2,992)</u>	<u>(82)</u>	<u>(175)</u>	
Fund Balance - Ending	<u>\$ 219,199</u>	<u>\$ 49,500</u>	<u>\$ 3,269</u>	<u>\$ 2,148</u>

The accompanying notes are an integral part of the financial statement.

**HICKMAN COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

<u>Budgeted Funds</u>		
<u>Disaster Emergency Services Fund</u>	<u>Ambulance Fund</u>	<u>Civil War Days Fund</u>
\$	\$	\$
3,000	10,000	
8	502	
<u>3,008</u>	<u>10,520</u>	
32,862	612	
<u>32,862</u>	<u>612</u>	
(29,854)	9,908	
42,772	110	
<u>42,772</u>	<u>110</u>	
12,918	10,018	
1,941	4	120
<u>\$ 14,859</u>	<u>\$ 10,022</u>	<u>\$ 120</u>
\$ 14,948	\$ 10,022	\$ 120
(89)		
<u>\$ 14,859</u>	<u>\$ 10,022</u>	<u>\$ 120</u>

The accompanying notes are an integral part of the financial statement.

**HICKMAN COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<u>Unbudgeted Funds</u>			<u>Total Funds</u>
	<u>HOME Fund</u>	<u>Public Properties Corporation Fund</u>	<u>Jail Commissary Fund</u>	
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 824,577
In Lieu Tax Payments				56,632
Excess Fees				46,190
Licenses and Permits				6,642
Intergovernmental		113,683		1,587,695
Charges for Services				39,991
Miscellaneous				499,187
Interest	7	4	25	4,064
Total Receipts	<u>7</u>	<u>113,687</u>	<u>25</u>	<u>3,064,978</u>
<b>DISBURSEMENTS</b>				
General Government				723,755
Protection to Persons and Property				424,149
General Health and Sanitation				1,338
Social Services				34,300
Recreation and Culture				9,400
Roads				871,519
Debt Service		280,345		323,768
Capital Projects				225,748
Administration				526,256
Total Disbursements		<u>280,345</u>		<u>3,140,233</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>7</u>	<u>(166,658)</u>	<u>25</u>	<u>(75,255)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Payroll Revolving Accounts				8,174
Transfers From Other Funds		166,663		663,845
Transfers To Other Funds				(663,845)
Total Other Adjustments to Cash (Uses)		<u>166,663</u>		<u>8,174</u>
Net Change in Fund Balance	7	5	25	(67,081)
Fund Balance - Beginning (Restated)	<u>3,179</u>	<u>3,350</u>	<u>12,125</u>	<u>384,889</u>
Fund Balance - Ending	<u>\$ 3,186</u>	<u>\$ 3,355</u>	<u>\$ 12,150</u>	<u>\$ 317,808</u>
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 3,186	\$ 3,355	\$ 12,150	\$ 312,972
Plus: Payroll Revolving Accounts				8,174
Less: Outstanding Checks				(3,338)
Fund Balance - Ending	<u>\$ 3,186</u>	<u>\$ 3,355</u>	<u>\$ 12,150</u>	<u>\$ 317,808</u>

The accompanying notes are an integral part of the financial statement.

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**HICKMAN COUNTY  
NOTES TO FINANCIAL STATEMENT**

**June 30, 2017**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Hickman County includes all budgeted and unbudgeted funds under the control of the Hickman County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. 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 function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

**Budgeted Funds (Continued)**

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Disaster Emergency Services Fund - The primary purpose of this fund is to account for grants and related expenditures when disaster and emergency events occur. The primary sources of receipts for this fund are grants from the state and federal governments.

Ambulance Fund - The primary purpose of this fund is to account for funds received and expended in the operation of the ambulance services provided by the county.

Civil War Days Fund - The primary purpose of this fund is to account for funds received and expended in the operation of the reenactment, living history, and encampments of the Civil War Days located in Columbus, KY provided by the county.

**Unbudgeted Funds**

The fiscal court reports the following unbudgeted funds:

HOME Fund - The purpose of this fund is to account for funds received and expended in the Kentucky HOME Investment Partnerships Program. The KHC program provides decent and affordable housing for low- and very-low income persons in Kentucky.

Public Properties Corporation Fund - The primary purpose of this fund is to account for debt service requirements of refunding revenue bonds and general obligation bonds of the fiscal court. The Department of Local Government does not require the fiscal court to budget this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information (Continued)**

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

The state local finance officer does not require the public properties corporation fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

The HOME fund was not budgeted because the fiscal court did not plan to expend any funds during fiscal year 2017.

**E. Hickman County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Hickman County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Hickman County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**Note 2. Deposits**

The fiscal court maintained 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, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit 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 evidenced by an agreement between the fiscal court 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) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2017.

	General Fund	Road Fund	Jail Fund	Total Transfers In
General Fund	\$	\$ 228,977	\$	\$ 228,977
Jail Fund	219,363			219,363
Local Government Economic Assistance Fund	5,960			5,960
Disaster Emergency Services Fund	42,772			42,772
Ambulance Fund	110			110
Public Properties Corporation Fund	19,800		146,863	166,663
Total Transfers Out	<u>\$ 288,005</u>	<u>\$ 228,977</u>	<u>\$ 146,863</u>	<u>\$ 663,845</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 4. Agency Trust Funds**

Agency trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the jail inmate fund as of June 30, 2017, was \$11,890.

**Note 5. Long-term Debt**

**A. First Mortgage Refunding Revenue Bonds, Courthouse Annex, Series 2008**

The Hickman County Public Properties Corporation, an independent corporate agency and instrumentality of Hickman County, issued first mortgage revenue bonds, series 2008, for the purpose of discharging the outstanding bonds of series 1999 (referred to herein as the Prior Bonds). The net proceeds thereof were used to complete, equip, and furnish the Court Facilities Project and annex which houses county government offices.

The Hickman County Public Projects Corporation (Corporation) issued refunding revenue bonds, series 2008, on August 13, 2008, for \$1,275,000. The Corporation entered into a Use and Sublease Agreement with the Kentucky Administrative Office of the Courts (AOC) dated August 18, 2008, whereby AOC agreed to make semi-annual payments directly to the paying agent to partially fund the debt service for the bond issuance.

As of June 30, 2017, outstanding bond principal was \$595,000. The remaining bond principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 90,000	\$ 21,683
2019	95,000	21,683
2020	95,000	17,693
2021	100,000	13,703
2022	105,000	9,353
2023	110,000	4,785
Totals	<u>\$ 595,000</u>	<u>\$ 88,900</u>

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. General Obligation Refunding Bonds - Detention Center Project, Series 2010**

The Hickman County Fiscal Court issued General Obligation Improvement Bonds, Series 1999 dated April 1, 1999, for the purpose of financing the acquisition, construction, and improvement of the Hickman County Detention Center. On April 14, 1999, \$2,820,000 of improvement bonds was issued at various interest rates. The maturity date of the improvement bonds is April 1, 2025. The prior bonds have been called.

The Hickman County Fiscal Court issued refunding general obligation bonds, series 2010, on October 1, 2010, for \$2,005,000. The principal balance of these bonds as of June 30, 2017, was \$1,200,000. Annual debt service requirements to maturity for the bonds are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 130,000	\$ 37,455
2019	140,000	33,000
2020	140,000	28,380
2021	150,000	23,595
2022	150,000	18,645
2023-2025	490,000	24,750
Totals	<u>\$ 1,200,000</u>	<u>\$ 165,825</u>

**C. Financing Obligation - Backhoe**

In July 2016, the Hickman County Fiscal Court entered into a financing obligation with Caterpillar Financial Services Corporation for the purchase of a backhoe for \$134,344 including a purchase option amount of \$50,880 due at the end of the lease term. The principal and interest payments are to be paid in 49 annual installments of \$1,946 beginning in July 2016 with an interest rate of 2.69 percent. The maturity date of the obligation is July 2020. As of June 30, 2017, the outstanding principal balance was \$110,862. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 36,954	\$ 2,057
2019	36,954	2,057
2020	36,954	2,057
Totals	<u>\$ 110,862</u>	<u>\$ 6,171</u>

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Financing Obligation - Sheriff's Tahoe**

On September 19, 2014, the Hickman County Fiscal Court entered into a financing obligation with Clinton Bank for the purchase of a Chevrolet Tahoe for the sheriff's department for a total cost of \$19,900. The principal balance is to be paid in 36 monthly installments of \$587 beginning in October 2014 with an interest rate of 3.93 percent. The maturity date of the obligation is September 15, 2017. As of June 30, 2017, the outstanding principal balance was \$2,327. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 2,327	\$ 19
Totals	\$ 2,327	\$ 19

**E. Financing Obligation - Sheriff's Dodge Chargers**

On April 24, 2015, the Hickman County Fiscal Court entered into a financing obligation with Clinton Bank for the purchase of two Dodge Chargers for the sheriff's department for a total cost of \$47,264. The principal balance is to be paid in 36 monthly installments of \$1,390 beginning in May 2015 with an interest rate of 3.77 percent. The maturity date of the obligation is April 25, 2018. As of June 30, 2017, the outstanding principal balance was \$14,994. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2018	\$ 14,994	\$ 304
Totals	\$ 14,994	\$ 304

**F. Financing Obligation - Grader**

In June 2015, the Hickman County Fiscal Court entered into a financing obligation with John Deere Financial for the purchase of a road grader for \$78,768 excluding a purchase option amount of \$220,000 due at the end of the lease term. The principal balance is to be paid in 48 annual installments of \$1,641 beginning in July 2015. The maturity date of the obligation is July 2019. As of June 30, 2017, the outstanding principal balance was \$36,102. Future principal and interest requirements are:

Fiscal Year Ending June 30	Principal & Interest
2018	\$ 19,692
2019	16,410
Totals	\$ 36,102

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**G. Changes In Long-term Debt**

Long-term debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance (*Restated)	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 1,325,000	\$	\$ 125,000	\$ 1,200,000	\$ 130,000
Revenue Bonds	680,000		85,000	595,000	90,000
Financing Obligations*	230,085		65,800	164,285	73,967
Total Long-term Debt	<u>\$ 2,235,085</u>	<u>\$ 0</u>	<u>\$ 275,800</u>	<u>\$ 1,959,285</u>	<u>\$ 293,967</u>

**Note 6. Employee Retirement System**

**Plan Description**

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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.

The county's contribution for FY 2015 was \$217,795, FY 2016 was \$175,409, and FY 2017 was \$223,314.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to be allocated as follows: five percent will go to the member's account and one percent will go to the KRS insurance fund.

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 accounts. Nonhazardous covered employees contribute five percent of their annual creditable compensation. Nonhazardous members also contribute one percent 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 KRS Board of Directors 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 four percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

Nonhazardous (Continued)

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 (member's 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.

The county's contribution rate for nonhazardous employees was 18.68 percent.

Health Insurance Coverage

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.

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>. 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.

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 7. Deferred Compensation**

The Hickman County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Flexible Spending Account**

For fiscal year 2017, the Hickman County Fiscal Court maintained a flexible spending account to provide employees an additional health benefit. The county has contracted with a third-party administrator to administer the plan. -Employees contribute pre-tax funds through payroll deduction to be used for qualified medical expenses. The balance of the plan at June 30, 2017, was \$1,100

**Note 9. Insurance**

For the fiscal year ended June 30, 2017, the Hickman County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Prior Period Adjustments**

Beginning balances were restated as follows:

	Audited Balance from Prior Year Report	Adjustments to Prior Year Balances	Prior Year Balances - Restated
Fund Balance - Budgeted Funds			
Disaster Emergency Service Fund	\$ 1,956	\$ (15)	\$ 1,941
Outstanding Debt			
Financing Obligations	\$ 172,438	\$ 57,647	\$ 230,085
Capital Assets - Total	11,602,263	148,025	11,750,288

Beginning balances were restated due to a prior year outstanding check of \$15 from the disaster emergency services fund and financial obligation of \$57,647 not being reported.

**HICKMAN COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2017**  
**(Continued)**

**Note 11. Payroll Revolving Account Balance**

The payroll revolving account balance of \$8,174 will be reported in the general fund for financial statement purposes.

**Note 12. Subsequent Events**

In August 2017, the Hickman County Fiscal Court sold the detention center for \$109,840 at auction.

**HICKMAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2017**

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**HICKMAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2017**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 686,500	\$ 686,500	\$ 824,577	\$ 138,077
In Lieu Tax Payments	45,000	45,000	56,632	11,632
Excess Fees	48,000	48,000	46,190	(1,810)
Licenses and Permits	7,000	7,000	6,642	(358)
Intergovernmental	216,373	231,973	230,537	(1,436)
Miscellaneous	96,501	96,501	459,962	363,461
Interest	3,000	3,000	2,467	(533)
Total Receipts	<u>1,102,374</u>	<u>1,117,974</u>	<u>1,627,007</u>	<u>509,033</u>
<b>DISBURSEMENTS</b>				
General Government	596,363	767,678	720,710	46,968
Protection to Persons and Property	250,076	220,079	216,266	3,813
General Health and Sanitation	1,427	1,427	1,338	89
Social Services	52,900	54,412	34,300	20,112
Recreation and Culture			9,400	(9,400)
Debt Service	30,000	30,000	23,731	6,269
Capital Projects		224,961	225,748	(787)
Administration	419,179	602,305	362,392	239,913
Total Disbursements	<u>1,349,945</u>	<u>1,900,862</u>	<u>1,593,885</u>	<u>306,977</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(247,571)</u>	<u>(782,888)</u>	<u>33,122</u>	<u>816,010</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	201,071	201,071	228,977	27,906
Transfers To Other Funds	<u>(303,500)</u>	<u>(303,500)</u>	<u>(288,005)</u>	<u>15,495</u>
Total Other Adjustments to Cash (Uses)	<u>(102,429)</u>	<u>(102,429)</u>	<u>(59,028)</u>	<u>43,401</u>
Net Change in Fund Balance	(350,000)	(885,317)	(25,906)	859,411
Fund Balance - Beginning	<u>350,000</u>	<u>350,000</u>	<u>236,931</u>	<u>(113,069)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (535,317)</u>	<u>\$ 211,025</u>	<u>\$ 746,342</u>

**HICKMAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 1,378,134	\$ 1,406,040	\$ 1,152,663	\$ (253,377)
Charges for Services	3,000	3,000		(3,000)
Miscellaneous	9,400	9,400	36,681	27,281
Interest	2,000	2,000	1,492	(508)
Total Receipts	<u>1,392,534</u>	<u>1,420,440</u>	<u>1,190,836</u>	<u>(229,604)</u>
<b>DISBURSEMENTS</b>				
Roads	1,237,550	977,334	871,519	105,815
Debt Service	19,692	19,692	19,692	
Administration	434,221	162,026	138,645	23,381
Total Disbursements	<u>1,691,463</u>	<u>1,159,052</u>	<u>1,029,856</u>	<u>129,196</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(298,929)</u>	<u>261,388</u>	<u>160,980</u>	<u>(100,408)</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	<u>(201,071)</u>	<u>(201,071)</u>	<u>(228,977)</u>	<u>(27,906)</u>
Total Other Adjustments to Cash (Uses)	<u>(201,071)</u>	<u>(201,071)</u>	<u>(228,977)</u>	<u>(27,906)</u>
Net Change in Fund Balance	(500,000)	60,317	(67,997)	(128,314)
Fund Balance - Beginning	<u>500,000</u>	<u>500,000</u>	<u>117,497</u>	<u>(382,503)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 560,317</u>	<u>\$ 49,500</u>	<u>\$ (510,817)</u>

**HICKMAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 36,292	\$ 36,292	\$ 77,715	\$ 41,423
Charges for Services	40,200	40,200	39,991	(209)
Miscellaneous	5,973	5,973	2,042	(3,931)
Interest	182	182	40	(142)
Total Receipts	<u>82,647</u>	<u>82,647</u>	<u>119,788</u>	<u>37,141</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	178,013	181,040	174,409	6,631
Debt Service	166,663	161,271		161,271
Administration	37,971	40,336	24,316	16,020
Total Disbursements	<u>382,647</u>	<u>382,647</u>	<u>198,725</u>	<u>183,922</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(78,937)</u>	<u>221,063</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	300,000	300,000	219,363	(80,637)
Transfers To Other Funds			<u>(146,863)</u>	<u>(146,863)</u>
Total Other Adjustments to Cash (Uses)	<u>300,000</u>	<u>300,000</u>	<u>72,500</u>	<u>(227,500)</u>
Net Change in Fund Balance			(6,437)	(6,437)
Fund Balance - Beginning			<u>9,706</u>	<u>9,706</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,269</u>	<u>\$ 3,269</u>

**HICKMAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 203	\$ 203	\$ 97	\$ (106)
Miscellaneous	1,050	1,050		(1,050)
Interest			3	3
Total Receipts	<u>1,253</u>	<u>1,253</u>	<u>100</u>	<u>(1,153)</u>
<b>DISBURSEMENTS</b>				
General Government	3,654	3,654	3,045	609
Protection to Persons and Property	500	500		500
Administration	1,899	1,899	903	996
Total Disbursements	<u>6,053</u>	<u>6,053</u>	<u>3,948</u>	<u>2,105</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(4,800)</u>	<u>(4,800)</u>	<u>(3,848)</u>	<u>952</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	3,500	3,500	5,960	2,460
Total Other Adjustments to Cash (Uses)	<u>3,500</u>	<u>3,500</u>	<u>5,960</u>	<u>2,460</u>
Net Change in Fund Balance	(1,300)	(1,300)	2,112	3,412
Fund Balance - Beginning	<u>1,300</u>	<u>1,300</u>	<u>36</u>	<u>(1,264)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,148</u>	<u>\$ 2,148</u>

**HICKMAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>DISATER EMERGENCY SERVICES FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 3,000	\$ 3,000	\$ 3,000	\$
Miscellaneous	1,090	1,090		(1,090)
Interest	250	250	8	(242)
Total Receipts	<u>4,340</u>	<u>4,340</u>	<u>3,008</u>	<u>(1,332)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	19,340	44,340	32,862	11,478
Total Disbursements	<u>19,340</u>	<u>44,340</u>	<u>32,862</u>	<u>11,478</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(15,000)</u>	<u>(40,000)</u>	<u>(29,854)</u>	<u>10,146</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			42,772	42,772
Total Other Adjustments to Cash (Uses)			<u>42,772</u>	<u>42,772</u>
Net Change in Fund Balance	(15,000)	(40,000)	12,918	52,918
Fund Balance - Beginning (Restated)	<u>15,000</u>	<u>15,000</u>	<u>1,941</u>	<u>(13,059)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (25,000)</u>	<u>\$ 14,859</u>	<u>\$ 39,859</u>

**HICKMAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>AMBULANCE FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 10,000	\$
Miscellaneous	1,000	1,000	502	(498)
Interest	50	50	18	(32)
Total Receipts	<u>11,050</u>	<u>11,050</u>	<u>10,520</u>	<u>(530)</u>
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	7,000	7,112	612	6,500
Administration	4,050	3,938		3,938
Total Disbursements	<u>11,050</u>	<u>11,050</u>	<u>612</u>	<u>10,438</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>9,908</u>	<u>9,908</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			110	110
Total Other Adjustments to Cash (Uses)			<u>110</u>	<u>110</u>
Net Change in Fund Balance			10,018	10,018
Fund Balance - Beginning			<u>4</u>	<u>4</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,022</u>	<u>\$ 10,022</u>

**HICKMAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2017**  
**(Continued)**

	<b>CIVIL WAR DAYS FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>DISBURSEMENTS</b>				
Administration	\$ 500	\$ 500	\$	\$ 500
Total Disbursements	500	500		500
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(500)	(500)		500
Net Change in Fund Balance	(500)	(500)		500
Fund Balance - Beginning	500	500	120	(380)
Fund Balance - Ending	\$ 0	\$ 0	\$ 120	\$ 120

**HICKMAN COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2017**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the General Fund to the Statement of Receipts, Disbursements, and Changes in Fund Balances**

Other Adjustments to Cash (Uses)-Budgetary Basis	\$ (59,028)
To adjust for Payroll Revolving Accounts	<u>8,174</u>
Total Intergovernmental-Regulatory Basis	<u>\$ (50,854)</u>
Fund Balance - Ending -Budgetary Basis	\$ 211,025
To adjust for Payroll Revolving Accounts	<u>8,174</u>
Total Fund Balance - Ending-Regulatory Basis	<u>\$ 219,199</u>

**Note 3. Excess of Disbursements Over Appropriations**

General fund recreation and culture and capital projects exceeded budgeted appropriations by \$9,400 and \$787, respectively.

**HICKMAN COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2017**

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**HICKMAN COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2017**

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (*Restated)	Additions	Deletions	Ending Balance
Land*	\$ 67,694	\$	\$	\$ 67,694
Construction In Progress		225,748		225,748
Buildings	6,315,202			6,315,202
Equipment*	315,130			315,130
Vehicles and Equipment*	926,448	133,949		1,060,397
Infrastructure	4,066,613	114,947		4,181,561
 Total Capital Assets	 <u>\$ 11,691,087</u>	 <u>\$ 474,644</u>	 <u>\$ 0</u>	 <u>\$ 12,165,731</u>

**HICKMAN COUNTY  
NOTES TO REGULATORY SUPPLEMENTARY  
INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2017**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land	\$ 20,000	10-60
Buildings	\$ 20,000	10-75
Machinery & Equipment	\$ 20,000	3-25
Motor Vehicles	\$ 20,000	3.-5
Construction In Progress	\$ 20,000	10-75
Infrastructure	\$ 20,000	10-50

**Note 2. Restatement of Capital Assets Beginning Balance**

Land beginning balance was restated by \$1, equipment beginning balance was restated by \$153,000, vehicles and equipment beginning balance was restated by (\$64,176), due to errors and omissions in prior years.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Kenny Wilson, Hickman County Judge/Executive  
Members of the Hickman County Fiscal Court

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

Independent Auditor's Report

We have audited, 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, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Hickman County Fiscal Court for the fiscal year ended June 30, 2017, and the related notes to the financial statement which collectively comprise the Hickman County Fiscal Court's financial statement and have issued our report thereon dated November 21, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Hickman County Fiscal Court'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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Hickman County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hickman County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2017-001, 2017-002, 2017-004, and 2017-005 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With *Government Auditing Standards*  
(Continued)

### **Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Hickman County Fiscal Court's financial statement is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2017-001, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007.

### **Views of Responsible Official and Planned Corrective Action**

Hickman County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

### **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,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon  
Auditor of Public Accounts

November 21, 2018

**HICKMAN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2017**

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**HICKMAN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES**

**For The Year Ended June 30, 2017**

FINANCIAL STATEMENT FINDINGS:

2017-001    The Hickman County Fiscal Court Did Not Require Monthly Bank Reconciliations Of The Payroll Revolving Accounts

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The former Hickman County Treasurer did not perform monthly bank reconciliations on the payroll revolving accounts during the 2017 fiscal year. She made additional transfers to these accounts directly from the general fund of \$59,500 with no supporting documentation in order to cover shortages in the retirement account.

The retirement account had a negative book balance of \$10,180 as of June 30, 2017, (See Finding 2017-002). Also, by not reconciling the payroll accounts it could cause potential overdraft fees to be charged, increases the risk of misappropriation of assets, and increases the risk of potential fraud. The fiscal court did not require the county treasurer to perform monthly bank reconciliations on the payroll accounts.

Good internal controls dictate that all accounts be reconciled on a monthly basis. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires officials to reconcile all accounts monthly.

We recommend that the fiscal court require monthly bank reconciliations be prepared on the payroll revolving accounts. These reconciliations should also be submitted to the fiscal court for approval along with all other reconciliations.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Hickman County Fiscal Court is currently requiring monthly bank reconciliations be prepared on all accounts, including the payroll revolving accounts. These reconciliations will be submitted to the fiscal court monthly for approval along with all other reconciliations.*

2017-002    The Hickman County Fiscal Court Did Not Report Proper Amount Of Employer's Share Of Retirement

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The former county treasurer transferred an additional \$59,500 from the general fund to the retirement account in order to cover total retirement expenses. These disbursements were not supported or recorded as retirement expenses.

The former county treasurer failed to inform the service organization processing the county's payroll the correct rate for the employer's share of retirement. The employer's share of retirement was calculated at the fiscal year 2015 rate. Also, due a lack of internal controls over payroll, this error was allowed to continue for over two years. The former treasurer would transfer lump sums directly from the general fund to the retirement account every couple of months to cover retirement payments being paid to the state from the retirement account.

By not having sufficient controls over payroll, total payroll expenses were not calculated or recorded properly. This situation also increases the risk of misappropriation and fraud. Good internal controls dictate that procedures be in place to ensure the accuracy of payroll expenses.

We recommend the fiscal court develop internal control procedures to ensure payroll reports accurately support payroll expenses.

**HICKMAN COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-002 The Hickman County Fiscal Court Did Not Report Proper Amount Of Employer's Share Of Retirement (Continued)

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Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Hickman County Fiscal Court has already developed internal control procedures to ensure payroll reports accurately support payroll expenses.*

2017-003 The Hickman County Fiscal Court Did Not Utilize A Purchase Order System

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The Hickman County Fiscal Court did not utilize a purchase order system. No purchase orders were issued for approval on any of the expenditures tested.

The fiscal court does not require purchase orders to be issued for goods and services received. Failure to properly issue purchase orders could result in unauthorized items being purchased. Also, the fiscal court could expend more funds than available in the budget which would result in negative fund balances.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* requires the fiscal court implement a purchase order system. The required purchasing procedures are: (1) Purchases shall not be made prior to approval by the County Judge/Executive (or designee) or department head. (2) Purchase requests shall indicate proper appropriation account number to which the claim will be posted. (3) Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made. (4) A purchase order journal (listing) should be maintained and contain a daily, chronological listing of all purchase orders issued. The listing is the book of original entry for all county purchases. The journal should indicate the PO number, appropriation account code to where the payment will be posted, vendor name, date invoice received, amount of invoice, date claim reviewed by fiscal court, date and amount paid.

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable."

The Hickman County Fiscal Court Administrative Code also requires a copy of the purchase order be attached to claims approved by the fiscal court.

We recommended the fiscal court require purchase orders be issued for all purchases of goods and services prior to items being ordered or services being rendered to determine if adequate funds and budget appropriation are available for the purchase. All purchase orders should be prepared, signed, and dated by the employee requesting the purchase. All purchase orders should contain an indication of approval by the appropriate personnel prior to the purchase. A purchase order journal should also be maintained.

**HICKMAN COUNTY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For The Year Ended June 30, 2017**  
**(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-003 The Hickman County Fiscal Court Did Not Utilize A Purchase Order System (Continued)

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Hickman County Fiscal Court currently requires purchase orders be issued for all purchases of goods and services prior to items being ordered or services being rendered to determine if adequate funds and budget appropriations are available for the purchase. All purchase orders are prepared, signed and dated by the County Treasurer and Deputy Judge approving the expenditure prior to purchase. A purchase order journal will be maintained.*

2017-004 The Hickman County Fiscal Court's Outstanding Liability Section Was Understated By \$1,675,000

This is a repeat comment and was reported in the prior year audit report as finding 2016-001. The county's outstanding liability section of the fourth quarter report did not accurately reflect total debt obligations. The schedule did not report outstanding debt of \$595,000 for the First Mortgage Refunding Revenue Bonds, Series 2008 - Courthouse Annex and the amount reported as outstanding for the General Obligation Refunding Bonds, Series 2010 - Detention Center was understated by \$1,080,000.

This was due to errors made in the preparation of the schedule by the former treasurer, and a misunderstanding of whether the debt on the courthouse annex should be included on the county's schedule. By making these errors, the county's outstanding liabilities reported to the Department for Local Government was materially misstated.

Strong internal controls over financial reporting are necessary to ensure financial information reported is accurate and complete. Material errors occurred that were not detected and corrected.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires counties to budget and report information pertaining to all the county's outstanding debt.

We recommend the fiscal court implement internal controls to ensure the county's outstanding liabilities section is accurately reported.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: The Hickman County Fiscal Court has implemented controls to ensure the county's outstanding liabilities section is accurately reported. A detail journal of all outstanding debt at year end will be reconciled to the county's outstanding liabilities section at year end.*

2017-005 The Hickman County Fiscal Court's Schedule Of Capital Assets Did Not Include \$225,748 In Construction Costs For Rotary Park Project

The fiscal court's schedule of capital assets for the period ending June, 30, 2017, was materially misstated because the fiscal court did not recognize \$225,748 of construction costs on the Rotary Park that was expended throughout the year. There were also several instances that the county treasurer had to make corrections for additions and retirements of capital assets that should have been made in prior years.

**HICKMAN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2017  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-005 The Hickman County Fiscal Court's Schedule Of Capital Assets Did Not Include \$225,748 In Construction Costs For Rotary Park Project (Continued)

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The fiscal court was unaware that they should have capitalized construction in progress, and due to poor controls over capital asset reporting in prior years, adjustments were necessary to bring the capital assets list up to date. By having weak internal controls over capital assets, they were left vulnerable to misappropriation or misstatement. In this case, misstatements were able to occur without detection.

Strong internal controls over capital assets are necessary to ensure accurate financial reporting and to protect assets from misappropriation.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires counties to maintain records for general fixed assets which fall into any of the following three categories (1) Real Estate, (2) Motor vehicles (including road equipment), (3) Any other fixed assets that meet the useful life criteria. Adequate fixed asset records provide the information necessary to: (1) Report the cost or other basis of valuation, (2) Determine the accuracy of insurance coverage (3) Maintain control of county property, (4) Long range planning for property replacement. An annual physical inventory of property and equipment shall be conducted on or before June 30. Physical counts must be compared to the master asset inventory listing. Resulting differences must be reconciled, explained, and documented.

We recommend the fiscal court establish a detailed inventory system. The inventory of county assets should be updated throughout the year as new assets are acquired or old assets are retired. This system should be applied consistently in accordance with the county's capitalization policy. We also recommend the county conduct a physical inspection of the county's assets at the end of each year to make comparisons to the county's inventoried assets.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: All Rotary Park construction cost have since been capitalized and all future construction cost will be capitalized as "construction in progress" until the project is complete, at which time the cost will be moved to the correct property asset account and depreciated. The fiscal court will establish a detailed inventory system, which will be updated throughout the year as new assets are acquired and old assets are retired. This system will be applied consistently in accordance with the county's capitalization policy. We will inspect the county's assets at the end of each year and make comparisons to the county's inventoried assets.*

2017-006 The Hickman County Jailer Did Not Maintain Proper Accounting Records Or Submit An Annual Financial Report For The Commissary Fund

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These issues are repeat issues and were reported in the prior year audit report as findings 2016-002 and 2016-005. The Hickman County Jailer failed to submit an annual commissary report to the county treasurer for fiscal year end 2017. Also, bank reconciliations and ledgers for the commissary account were not maintained for fiscal year 2017. Although the jail closed in October 2015, the bank account was still open and subject to minimum accounting requirements prescribed by state regulations.

**HICKMAN COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Year Ended June 30, 2017  
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2017-006 The Hickman County Jailer Did Not Maintain Proper Accounting Records Or Submit An Annual Financial Report For The Commissary Fund (Continued)

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The jailer did not realize an annual report or financial records should have been maintained since the jail was closed. Since accurate reports and records were not maintained, the county treasurer and the fiscal court were not made aware of the financial activity of the jail commissary fund. This also increases the risk of misappropriation of the commissary funds.

KRS 441.135(2) states, “[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account.”

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires books of original entry be maintained for receipts and expenditures of all transactions of the fiscal court.

We recommend the jailer maintain required accounting records for the commissary account until the account is closed. We also recommend that this account be closed with the balance being transferred to the jail fund.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The Hickman County Fiscal Court will ensure the commissary account is closed with the balance being transferred to the Jail Fund.*

2017-007 The Hickman County Fiscal Court Did Not Report Encumbrances On Quarterly Financial Reports

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The Hickman County Fiscal Court did not report encumbrances (unpaid purchase orders) on the quarterly financial reports. Auditors noted \$174,083 in outstanding expenses as of the quarter ending June 30, 2017, which should have been reported. Since the fiscal court does not require purchase orders to be issued, they are unaware of the amount of encumbrances existing at the end of each quarter.

The fiscal court could exceed cash balances available in any one quarter which would lead to negative unencumbered fund balances. This would also limit the amount of funds available to spend during the next quarter.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual*, requires encumbrances be reported in Section I of the quarterly financial report.

We recommend the fiscal court report all unpaid purchase orders as encumbrances at the end of each quarter. The fiscal should maintain a list of these encumbrances and should not encumber more than the available cash balance in each fund.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive’s Response: The Hickman County Fiscal Court currently reports all unpaid purchase orders as encumbrances at the end of each quarter. We maintain a list of these encumbrances and do not encumber more than the available cash balance in each fund.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**HICKMAN COUNTY FISCAL COURT**

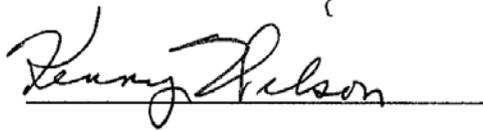
**For The Year Ended June 30, 2017**

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CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
HICKMAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2017

The Hickman County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Kenny Nelson", is written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Amy Crump", is written over a horizontal line.

County Treasurer