

CITY OF FULTON, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2022

**CITY OF FULTON, KENTUCKY
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Independent Auditor's Report

To the Mayor and Members of the City Commission
City of Fulton, Kentucky

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fulton, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Fulton, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fulton, Kentucky, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Fulton, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fulton, Kentucky's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fulton, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, Schedule of Expenditures of Federal Awards and State Financial Assistance, and the Schedule of Debt Service Requirements to Maturity by Individual Issue are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards and State Financial Assistance, and the Schedule of Debt Service Requirements to Maturity by Individual Issue are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CRS CPAs

Martin, Tennessee
December 13, 2023

**CITY OF FULTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

As management of the City of Fulton, Kentucky, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analysis of key elements of the total governmental funds and total enterprise funds has been provided.

Financial Highlights

Management believes the City of Fulton's financial condition is strong. The following are the key highlights.

- The assets and deferred outflows of resources of the City of Fulton exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,840,461 (*net position*). Of this amount, \$(2,046,824) (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$363,291, which includes a prior period adjustment of \$(123,974).
- As of the close of the current fiscal year, the City of Fulton's governmental funds reported combined ending fund balances of \$2,253,677, a decrease of \$74,906, in comparison with the prior year. Of this amount, \$1,184,740, is available for spending at the government's discretion (*unassigned fund balance*).
- The City of Fulton's total debt, which includes the revenue bonds payable and compensated absences, decreased by \$290,381 during the current fiscal year.
- The water, sewer, and the natural gas fund (*proprietary funds*) posted a combined net loss of \$45,194, along with a prior period adjustment of \$(171,448) the year ending June 30, 2022. The net effect was a \$216,642 decrease in net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Fulton's basic financial statements. The City of Fulton's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

Reporting Entity

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) of the United States of America. All assets, liabilities, deferred inflows/outflows, revenues, and expenses are reported regardless when the cash is received or paid. These statements report net position and changes in net position. Over time, the increase or decrease in the City's net position is an indicator of whether its financial conditions are improving or deteriorating. However, other non-financial factors such as changes in property tax bases, tax rates, etc. must be considered in evaluating the result of changes in net position.

The government-wide financial statements report Statement of Net Position and Statement of Activities, and they are divided into two types of activities: Governmental Activities and Business-type Activities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Governmental Activities – consist of the City's basic services, including the police, fire, ambulance, public works, parks and recreation departments, and general administration. Property taxes, local sales taxes, and state shared revenues finance most governmental activities.

Business-type Activities – report as revenues the charges to customers to cover costs of services provided by the City to citizens. The City's water, sewer, and natural gas services are provided here.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City of Fulton's finances, in a manner similar to a private-sector business.

- The *statement of net position* presents information on all of the City of Fulton's assets, liabilities, and deferred inflows/outflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Fulton is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the Government-Wide Financial Statements distinguish functions of the City of Fulton that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Fulton include general government, judicial, public safety, highways and streets, sanitation, recreation and public welfare. The business-type activities of the City of Fulton include water, sewer, and natural gas distribution operations.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fulton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the most significant funds – not the City as a whole. All of the funds of the City of Fulton can be divided into two categories: Governmental Funds and Proprietary Funds. The City does not have any Fiduciary Funds.

Governmental Funds – The City's basic services are included in Governmental Funds. The focus of these funds is on how cash and other financial assets that can readily be converted to cash when received are used, and what remains at the end of the fiscal year for future spending. This detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because this information does not include the additional long-term focus of the Government-Wide Statements, we provide additional information after the Governmental Fund Statements that explain the differences between the long-term view and the short-term view. The accounting method is modified accrual accounting, which measures cash inflows and outflows and financial assets that can be readily converted to cash.

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The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, tourism, municipal aid, and cemetery funds. The general and tourism fund are considered to be a major funds. The remaining fund information is presented in the aggregate as part of the basic financial statements.

The City adopts an annual appropriations budget for all governmental funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary Funds – Services for which the City charges customers a fee are generally reported in Proprietary Funds. Proprietary Funds, like the Government-Wide Financial Statements, provide both long-term and short-term financial information. The accounting method is accrual accounting, which measures and reports all revenues earned and expenses incurred regardless of when cash flows have happened. There are two different types of Proprietary Funds: Enterprise Funds and Internal Service Funds. The City of Fulton maintains only Enterprise Funds.

Enterprise Funds are the same as business-type activities in the Government-Wide Financial Statements but provide more detail and additional information, such as cash flows. The Water, Sewer, and the Natural Gas Fund are considered major funds.

Internal Service Funds provide services for other City activities. The City of Fulton could choose to account for maintenance of City vehicles or self-financed health insurance through an Internal Service Fund. Because services like these benefit predominantly governmental rather than business-type functions, they are typically included in the activities in the Governmental funds.

The basic proprietary fund financial statements can be found as listed in the table of contents.

Fiduciary Funds – Fiduciary Funds provide information about the financial relationships where the City acts solely as a trustee or fiduciary for the benefit of others to whom the resources belong. The City does not maintain any fiduciary funds.

Notes to Financial Statements – The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found as listed in the table of contents.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information can be found as listed in the table of contents.

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JUNE 30, 2022**

Government-Wide Financial Analysis

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fulton, assets and deferred outflows of resources exceeded liabilities and deferred by inflows of resources \$4,840,461 at the close of the fiscal year.

The largest portion of the City of Fulton's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) net of any related debt used to acquire those assets that is still outstanding. The City of Fulton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fulton's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted balance of net position, may be used to meet the City's ongoing obligations to citizens and creditors. The City also reports net position that is restricted for various reasons. At the end of the current fiscal year, the City is able to report positive balances in two categories of net position, both for the City as a whole, as well as for its total governmental and total business-type activities.

City of Fulton's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 2,738,675	\$ 2,690,615	\$ 1,793,705	\$ 1,049,345	\$ 4,532,380	\$ 3,739,960
Capital assets, net	2,702,590	2,864,518	9,800,158	10,393,392	12,502,748	13,257,910
Total assets	5,441,265	5,555,133	11,593,863	11,442,737	17,035,128	16,997,870
Deferred outflows of resources	793,199	843,645	257,430	230,784	1,050,629	1,074,429
Total assets and deferred outflows of resources	\$ 6,234,464	\$ 6,398,778	\$ 11,851,293	\$ 11,673,521	\$ 18,085,757	\$ 18,072,299
Current and other liabilities	\$ 172,067	\$ 96,162	\$ 459,919	\$ 458,943	\$ 631,986	\$ 555,105
Long-term liabilities	3,394,381	3,526,242	7,436,604	8,191,184	10,830,985	11,717,426
Total liabilities	3,566,448	3,622,404	7,896,523	8,650,127	11,462,971	12,272,531
Deferred inflows of resources	467,358	429,067	1,314,967	166,949	1,782,325	596,016
Net investment in capital assets	2,108,360	2,264,535	3,709,988	4,110,284	5,818,348	6,374,819
Restricted	1,068,937	987,446	-	28,000	1,068,937	1,015,446
Unrestricted	(976,639)	(904,674)	(1,070,185)	(1,281,839)	(2,046,824)	(2,186,513)
Total net position	2,200,658	2,347,307	2,639,803	2,856,445	4,840,461	\$ 5,203,752
Total liabilities, deferred inflows of resources and net position	\$ 6,234,464	\$ 6,398,778	\$ 11,851,293	\$ 11,673,521	\$ 18,085,757	\$ 18,072,299

During the current fiscal year, the City's net position decreased by \$363,291. This increase resulted from the current year change in net position as shown on the Government-wide Statement of Activities of \$(239,317) and a prior period adjustment as shown on the Government-wide Statement of Activities of \$(123,974).

Statement of Activities – Expenses in governmental activities exceeded revenues by \$194,123, in addition to a \$47,474 prior period adjustment to beginning net position. Expenses in business-type activities exceeded revenues by \$45,194, in addition to a \$(171,448) prior period adjustment to beginning net position.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

Governmental Activities

Revenues for the City's governmental activities decreased 1% mostly due to a decrease in capital grants and contributions. Total expenses for the City's governmental activities increased 13% mostly due to an increase in public works expenditures and tourism expenditures.

Business-type Activities

In the business-type activities, net position decreased by \$216,642. The following table provides a summary of the City's operation for the year ended June 30, 2022, with comparative totals for the governmental activities and business-type activities for the year ended June 30, 2021.

City of Fulton's Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 127,562	\$ 142,170	\$ 2,737,238	\$ 2,399,046	\$ 2,864,800	\$ 2,541,216
Operating grants & contributions	-	315,362	-	-	-	315,362
General revenues						
Taxes and licenses	301,164	1,830,157	-	-	301,164	1,830,157
Other	1,882,098	70,141	41,228	19,645	1,923,326	89,786
Transfers	202,423	189,412	(202,423)	(189,412)	-	-
Total revenues	2,513,247	2,547,242	2,576,043	2,229,279	5,089,290	4,776,521
Expenses						
General government	265,522	247,287	-	-	265,522	247,287
Public safety	1,437,534	1,488,465	-	-	1,437,534	1,488,465
Public works - general	386,020	315,440	-	-	386,020	315,440
Highways and streets	133,480	77,534	-	-	133,480	77,534
Parks and cemeteries	122,225	115,401	-	-	122,225	115,401
Tourism	143,535	59,055	-	-	143,535	59,055
Utilities	-	-	2,621,237	2,215,633	2,621,237	2,215,633
Non-departmental	189,826	97,333	-	-	189,826	97,333
Debt service expenses	29,228	-	-	-	29,228	-
Total expenses	2,707,370	2,400,515	2,621,237	2,215,633	5,328,607	4,616,148
Changes in net position	(194,123)	146,727	(45,194)	13,646	(239,317)	160,373
Net position, beginning	2,347,307	2,148,655	2,856,445	2,854,423	5,203,752	5,003,078
Prior period adjustment	47,474	51,925	(171,448)	(11,624)	(123,974)	40,301
Net position, beginning, restated	2,394,781	2,200,580	2,684,997	2,842,799	5,079,778	5,043,379
Net position, ending	\$ 2,200,658	\$ 2,347,307	\$ 2,639,803	\$ 2,856,445	\$ 4,840,461	\$ 5,203,752

Comments on Fund Financial Statements

As noted earlier, the City of Fulton uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City of Fulton's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Fulton's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

The general fund accounts for 89% of governmental fund revenues. Accordingly, this discussion will focus on the general fund. General fund balance was \$1,706,434 at the end of the current fiscal year, a decrease in fund balance of \$100,804. Of the balance, \$1,184,740, is available to meet the day-to-day needs of the City. Revenues decreased from the prior year by \$110,339 primarily due to a decrease in

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

other revenues in the current year. Expenditures increased from the prior year by \$432,962 primarily due to a \$156,804 increase in public safety expenditures and a \$108,085 increase in public works expenditures. A budget comparison statement with necessary amendments has been provided in the attached report to demonstrate compliance with the budget.

Proprietary Fund - The City of Fulton's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the proprietary fund at the end of the year was \$2,639,803. The total decrease in net position for this fund was \$216,642.

General Fund Budgetary Highlights

Final Budgeted and Actual Amounts

Actual revenues and other financing sources for the general fund were under the budgeted amounts by \$73,556. Expenditures and other financing uses were over budget by \$177,694. Significant variances are as follows:

- The City received \$71,435 less in property taxes than budgeted.
- Administrative salaries expenditures were over final budgeted amounts by \$49,401.
- Finance department salary expenditures were over final budgeted amounts by \$38,850.
- Public Works salaries were over final budgeted amounts by \$43,859.
- Police department salaries were over final budgeted amounts by \$51,034.

Capital Asset and Debt Administration

Capital Assets - The City of Fulton's investment in capital assets for its governmental and business type activities as of June 30, 2022, amounts to \$5,818,348 (net of accumulated depreciation and debt). This investment in capital assets includes land, construction in progress, buildings and systems, improvements other than buildings, machinery and equipment. This amount represents a decrease of 6% in comparison with the prior year. During the current fiscal year, there were purchases of an addition to the utility plant, and adjustments to depreciation. In addition there were additions of \$27,530 to construction in progress.

Debt - At the end of the current fiscal year, the City of Fulton had total debt outstanding, which includes revenue bonds payable, of \$6,713,207, all of which is backed by the full faith and credit of the government. The governmental activities had \$653,304 debt outstanding and business-type activities had \$6,059,903 debt outstanding at year end.

The City of Fulton's total debt, which includes the revenue bonds payable, decreased by \$290,381 during the current fiscal year.

Economic Factors and Next Year's Budget and Rates

The City anticipates an increase in the utility and property tax rates due to the increasing costs to operate the city. We will continue to apply for grants to help in the offset of cost.

**CITY OF FULTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for any additional information should be directed to the City Manager, City of Fulton, 101 Nelson Tripp Place, Fulton, Kentucky 42041 or (270) 472-1320.

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash	\$ 1,391,057	\$ 1,491,967	\$ 2,883,024
Taxes receivable, net of allowance	313,234	-	313,234
Accounts receivable, net of allowance	-	231,976	231,976
Inventory	-	26,252	26,252
Prepaid assets	-	43,510	43,510
Other taxes receivable	202,091	-	202,091
Due from other funds	208,641	-	208,641
Due from other governments	101,958	-	101,958
Cash and cash equivalents-restricted	521,694	-	521,694
Total current assets	2,738,675	1,793,705	4,532,380
Noncurrent Assets			
Cash in bond-related accounts	-	30,267	30,267
Capital assets, not being depreciated:			
Land and construction in progress	297,450	-	297,450
Capital assets, being depreciated, net of accumulated depreciation	2,405,140	9,769,891	12,175,031
Total noncurrent assets	2,702,590	9,800,158	12,502,748
Total Assets	5,441,265	11,593,863	17,035,128
Deferred Outflows of Resources			
Deferred outflows related to pensions	467,093	54,700	521,793
Deferred outflows related to other postemployment benefits	326,106	202,730	528,836
Total Deferred Outflows of Resources	793,199	257,430	1,050,629
Total Assets and Deferred Outflows of Resources	\$ 6,234,464	\$ 11,851,293	\$ 18,085,757

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 79,607	\$ 90,806	\$ 170,413
Accrued expenses	-	19,128	19,128
Due to other funds	78,037	130,604	208,641
Customer deposits	14,423	219,381	233,804
Total current liabilities	<u>172,067</u>	<u>459,919</u>	<u>631,986</u>
Noncurrent Liabilities			
Net pension liability	2,138,959	1,028,084	3,167,043
Net other postemployment benefits liability	602,118	348,617	950,735
Long-term liabilities due within one year	20,167	288,413	308,580
Long-term liabilities due in more than one year	633,137	5,771,490	6,404,627
Total noncurrent liabilities	<u>3,394,381</u>	<u>7,436,604</u>	<u>10,830,985</u>
Total Liabilities	<u>3,566,448</u>	<u>7,896,523</u>	<u>11,462,971</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	269,287	-	269,287
Deferred revenue - grant revenue	-	557,768	557,768
Deferred inflows related to pensions	1,785	477,211	478,996
Deferred inflows related to other postemployment benefits	196,286	279,988	476,274
Total Deferred Inflows of Resources	<u>467,358</u>	<u>1,314,967</u>	<u>1,782,325</u>
Net Position			
Net investment in capital assets	2,108,360	3,709,988	5,818,348
Restricted	1,068,937	-	1,068,937
Unrestricted	(976,639)	(1,070,185)	(2,046,824)
Total net position	<u>2,200,658</u>	<u>2,639,803</u>	<u>4,840,461</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,234,464</u>	<u>\$ 11,851,293</u>	<u>\$ 18,085,757</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government activities:							
General government	\$ 265,522	\$ -	\$ -	\$ -	\$ (265,522)	\$ -	\$ (265,522)
Public safety	1,437,534	91,052	-	-	(1,346,482)	-	(1,346,482)
Public works - general	386,020	435	-	-	(385,585)	-	(385,585)
Highways and streets	133,480	-	-	-	(133,480)	-	(133,480)
Parks and cemeteries	122,225	36,075	-	-	(86,150)	-	(86,150)
Tourism	143,535	-	-	-	(143,535)	-	(143,535)
Non-departmental	189,826	-	-	-	(189,826)	-	(189,826)
Debt service expenses	29,228	-	-	-	(29,228)	-	(29,228)
Total governmental activities	<u>2,707,370</u>	<u>127,562</u>	<u>-</u>	<u>-</u>	<u>(2,579,808)</u>	<u>-</u>	<u>(2,579,808)</u>
Business-type activities:							
Public utilities	<u>2,621,237</u>	<u>2,737,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,001</u>	<u>116,001</u>
Total business-type activities	<u>2,621,237</u>	<u>2,737,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,001</u>	<u>116,001</u>
Total	<u>\$ 5,328,607</u>	<u>\$ 2,864,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,579,808)</u>	<u>116,001</u>	<u>(2,463,807)</u>
General revenues							
Property taxes					301,164	-	301,164
Intergovernmental revenues					151,938	-	151,938
Franchise taxes					58,483	-	58,483
Payments in lieu of tax					12,030	-	12,030
Alcoholic beverage control regulatory fees					420,436	-	420,436
Payroll taxes					850,932	-	850,932
Insurance premium tax					90,422	-	90,422
Hotel and restaurant taxes					110,328	-	110,328
Business and other licenses					31,422	-	31,422
Interest					48,464	41,228	89,692
Gain on disposition of assets					5,000	-	5,000
Miscellaneous					102,643	-	102,643
Transfers					202,423	(202,423)	-
Total general revenues and transfers					<u>2,385,685</u>	<u>(161,195)</u>	<u>2,224,490</u>
Change in net position					<u>(194,123)</u>	<u>(45,194)</u>	<u>(239,317)</u>
Net position - Beginning					2,347,307	2,856,445	5,203,752
Prior period adjustment					<u>47,474</u>	<u>(171,448)</u>	<u>(123,974)</u>
Net position - Beginning - Restated					<u>2,394,781</u>	<u>2,684,997</u>	<u>5,079,778</u>
Net position - Ending					<u>\$ 2,200,658</u>	<u>\$ 2,639,803</u>	<u>\$ 4,840,461</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2022

	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 768,991	\$ 418,123	\$ 203,943	\$ 1,391,057
Property taxes receivable, net	313,234	-	-	313,234
Other taxes receivable	202,091	-	-	202,091
Due from other governments	101,958	-	-	101,958
Due from other funds	208,641	-	-	208,641
Restricted cash	521,694	-	-	521,694
Total Assets	<u>\$ 2,116,609</u>	<u>\$ 418,123</u>	<u>\$ 203,943</u>	<u>\$ 2,738,675</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 77,105	\$ 2,502	\$ -	\$ 79,607
Customer Deposits	14,423	-	-	14,423
Due to other funds	5,716	-	72,321	78,037
Total Liabilities	<u>97,244</u>	<u>2,502</u>	<u>72,321</u>	<u>172,067</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	312,931	-	-	312,931
Total Deferred Inflows of Resources	<u>312,931</u>	<u>-</u>	<u>-</u>	<u>312,931</u>
FUND BALANCES				
Restricted	521,694	415,621	131,622	1,068,937
Unassigned	1,184,740	-	-	1,184,740
Total Fund Balances	<u>1,706,434</u>	<u>415,621</u>	<u>131,622</u>	<u>2,253,677</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,116,609</u>	<u>\$ 418,123</u>	<u>\$ 203,943</u>	<u>\$ 2,738,675</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances of governmental funds	\$ 2,253,677
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,702,590
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.	
Add: Deferred outflows of resources related to pensions	467,093
Add: Deferred outflows of resources related to other post employment benefits	326,106
Less: Deferred inflows of resources related to pensions	(1,785)
Less: Deferred inflows of resources related to other post employment benefits	(196,286)
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.	
Property taxes	43,644
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Notes from direct borrowings	(653,304)
Other post employment benefits liability	(602,118)
Net Pension Liability	(2,138,959)
Net position of governmental activities	\$ 2,200,658

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
June 30, 2022

	<u>General Fund</u>	<u>Tourism Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Local taxes	\$ 1,730,917	\$ 110,328	\$ -	\$ 1,841,245
Intergovernmental	135,913	-	47,447	183,360
Charges for services	127,562	-	-	127,562
Interest	27,843	7,582	3,876	39,301
Other revenue	30,263	77,380	-	107,643
Total Revenues	<u>2,052,498</u>	<u>195,290</u>	<u>51,323</u>	<u>2,299,111</u>
Expenditures				
Current:				
General government	265,170	-	1,050	266,220
Public safety	1,346,516	-	-	1,346,516
Public works - general	347,855	-	-	347,855
Highways and streets	55,450	-	78,030	133,480
Parks and cemeteries	112,497	-	-	112,497
Tourism	-	143,535	-	143,535
Non-departmental	189,826	-	-	189,826
Debt service:				
Principal	7,392	-	-	7,392
Interest	29,119	-	-	29,119
Total Expenditures	<u>2,353,825</u>	<u>143,535</u>	<u>79,080</u>	<u>2,576,440</u>
Revenues Over (Under) Expenditures	(301,327)	51,755	(27,757)	(277,329)
Other Financing Sources(Uses)				
Transfers in	202,423	-	1,900	204,323
Transfers out	(1,900)	-	-	(1,900)
Total Other Financing Sources	<u>200,523</u>	<u>-</u>	<u>1,900</u>	<u>202,423</u>
Net Change in Fund Balance	<u>(100,804)</u>	<u>51,755</u>	<u>(25,857)</u>	<u>(74,906)</u>
Fund Balances - Beginning	<u>1,807,238</u>	<u>363,866</u>	<u>124,339</u>	<u>2,295,443</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>33,140</u>	<u>33,140</u>
Fund Balances - Beginning - Restated	<u>1,807,238</u>	<u>363,866</u>	<u>157,479</u>	<u>2,328,583</u>
Fund balance - Ending	<u>\$ 1,706,434</u>	<u>\$ 415,621</u>	<u>\$ 131,622</u>	<u>\$ 2,253,677</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, 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, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances of governmental funds	\$ (74,906)
<p>Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlay.</p>	
Excess capital outlay less depreciation	(176,263)
<p>The actuarially determined other post employment benefit expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as income/expenses in the statement of activities.</p>	
	(13,146)
<p>The actuarially determined pension expense/negative expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as income/expenses in the statement of activities.</p>	
	(87)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	7,283
<p>The liabilities for future compensated absences and landfill closure/postclosure costs do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.</p>	
Compensated absences	51,283
<p>Some revenues will not be collected for several months after the City's fiscal year ends; therefore, they are not considered "available" revenues in the governmental funds.</p>	
Deferred tax revenues increased by this amount this year.	11,713
Change in net position of governmental activities	<u>\$ (194,123)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
REVENUES				
Local taxes				
Property taxes	\$ 368,000	\$ 360,886	\$ 289,451	\$ (71,435)
Interest and penalties	6,500	6,000	9,163	3,163
Payments in lieu of tax	25,000	25,000	12,030	(12,970)
Franchise taxes	59,000	61,237	58,483	(2,754)
Alcoholic beverage control regulatory fee	410,000	420,436	420,436	-
Insurance premium tax	75,000	91,000	90,422	(578)
Payroll taxes	725,000	849,600	850,932	1,332
Total local taxes	<u>1,668,500</u>	<u>1,814,159</u>	<u>1,730,917</u>	<u>(83,242)</u>
Intergovernmental Revenues				
Business licenses	29,000	27,600	23,850	(3,750)
Alcoholic beverage control licenses	6,500	7,572	7,572	-
County court fees	6,000	5,000	2,992	(2,008)
Fire department revenue	500	2,906	2,906	-
Federal grant funds	-	17,027	17,027	-
State grant funds	12,800	19,910	19,910	-
State incentive revenue	48,000	40,000	47,854	7,854
Law enforcement fees	6,500	7,600	7,542	(58)
Code enforcement revenue	2,000	6,260	6,260	-
Total intergovernmental revenues	<u>111,300</u>	<u>133,875</u>	<u>135,913</u>	<u>2,038</u>
Charges for Services				
Rent	15,800	14,100	14,250	150
Building permits	1,500	150	435	285
City Stickers	40,000	37,500	37,750	250
School resource officer	53,302	53,302	53,302	-
Cemetery lots	6,000	9,000	9,750	750
Cemetery openings and upkeep	10,000	12,100	12,075	(25)
Total charges for services	<u>126,602</u>	<u>126,152</u>	<u>127,562</u>	<u>1,410</u>
Fines, Forfeitures, and Penalties				
Drug fund revenue	7,000	7,000	-	(7,000)
Total fines, forfeitures, and penalties	<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>(7,000)</u>
Other Revenue				
Sale of property	30,000	5,000	5,000	-
Interest income	31,500	25,369	27,843	2,474
Damage awards	-	9,382	9,382	-
Miscellaneous income	24,200	5,117	15,881	10,764
Total other revenue	<u>85,700</u>	<u>44,868</u>	<u>58,106</u>	<u>13,238</u>
Total revenues	<u>1,999,102</u>	<u>2,126,054</u>	<u>2,052,498</u>	<u>(73,556)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES				
Administrative				
Salaries	97,271	81,552	130,953	49,401
Retirement/pension	18,777	18,500	18,738	238
Unemployment	71	55	(133)	(188)
Hospitalization	16,412	15,500	16,523	1,023
Life/Dental	132	132	140	8
Social security	6,340	4,942	5,475	533
Other benefits	125	125	111	(14)
Office Supplies	650	4,000	3,032	(968)
Technical supplies	500	23	17	(6)
Dues and subscriptions	820	300	246	(54)
Motor fuel/oil	2,000	1,175	924	(251)
Telephone	1,100	1,300	1,402	102
Advertising/printing	3,300	6,500	6,443	(57)
Travel	2,800	1,200	1,094	(106)
Insurance	5,036	5,036	5,036	-
Professional/technical services	3,500	5,500	8,284	2,784
Training	1,500	92	69	(23)
Miscellaneous	50,200	50,200	-	(50,200)
Duplicate charges	(69,564)	(60,341)	(53,927)	6,414
Total administrative	<u>140,970</u>	<u>135,791</u>	<u>144,427</u>	<u>8,636</u>
Finance Department				
Salaries	180,655	150,000	188,850	38,850
Overtime/help	2,000	850	1,053	203
Retirement/pension	47,743	46,500	50,000	3,500
Unemployment	186	186	142	(44)
Hospitalization	51,668	48,000	49,054	1,054
Life/Dental	528	575	544	(31)
Social security	13,973	11,000	13,042	2,042
Other benefits	1,400	1,400	99	(1,301)
Maintenance - fixtures	1,500	1,000	931	(69)
Utilities	9,000	7,000	7,244	244
Office Supplies	1,200	1,200	1,212	12
Technical supplies	1,000	2,100	2,250	150
Cleaning supplies	600	1,700	1,681	(19)
Dues and subscriptions	200	350	263	(87)
Postage	1,100	1,100	860	(240)
Telephone	1,100	1,200	1,192	(8)
Travel	2,000	2,000	-	(2,000)
Insurance	3,041	3,041	3,041	-
Professional/technical services	-	-	90	90
Training/registration	1,500	200	147	(53)
Miscellaneous	200	200	1,404	1,204
Duplicate charges	(238,523)	(205,689)	(202,356)	3,333
Total finance department	<u>82,071</u>	<u>73,913</u>	<u>120,743</u>	<u>46,830</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Continued)				
Code Compliance				
Salaries	39,167	39,200	40,394	1,194
Retirement/pension	10,555	11,000	11,030	30
Unemployment	40	32	32	-
Hospitalization	10,660	10,660	10,370	(290)
Life/Dental	132	150	140	(10)
Social security	2,996	3,000	2,901	(99)
Other benefits	105	112	112	-
Clothing	350	350	-	(350)
Maintenance - vehicles/equipment	250	300	279	(21)
Office Supplies	500	300	309	9
Technical supplies	1,250	500	364	(136)
Dues and subscriptions	1,500	850	629	(221)
Motor fuel/oil	450	750	761	11
Postage	500	725	578	(147)
Telephone	300	300	26	(274)
Advertising/printing	500	350	325	(25)
Travel	3,000	250	134	(116)
Insurance	3,041	3,041	3,041	-
Professional/technical services	5,000	5,500	5,291	(209)
Training	2,000	750	615	(135)
Code enforcement	50,000	50,000	37,858	(12,142)
Miscellaneous	250	250	-	(250)
Total code compliance	<u>132,546</u>	<u>128,370</u> -	<u>115,189</u> -	<u>(13,181)</u>
Police Department				
Salaries	404,170	355,000	406,034	51,034
Overtime/help	50,000	48,000	53,608	5,608
Retirement/pension	130,051	130,000	133,844	3,844
Unemployment	508	396	396	-
Hospitalization	97,619	78,000	79,496	1,496
Life/dental	1,452	1,100	1,152	52
Social Security	38,110	32,000	36,169	4,169
Worker's Compensation	34,044	38,286	38,286	-
Clothing	5,000	2,000	3,904	1,904
Incentive	44,000	40,000	49,691	9,691
Other benefits	700	300	258	(42)
Maintenance-fixtures	6,500	5,000	4,596	(404)
Maintenance-vehicles/equipment	14,700	14,700	17,503	2,803
Utilities	7,000	7,000	6,161	(839)
Alcoholic beverage control expenses	15,000	15,000	336	(14,664)
School resource officer expense	2,000	2,000	1,376	(624)
Technical supplies	12,500	12,500	3,790	(8,710)
Office supplies	3,500	3,800	5,099	1,299
Cleaning supplies	500	500	240	(260)
Dues and subscriptions	600	750	673	(77)
Motor fuel/oil	25,000	30,000	30,100	100
Postage	600	1,000	968	(32)
Telephone	10,600	10,600	10,647	47
Advertising/printing	500	500	-	(500)

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Continued)				
Police Department (Continued)				
Travel	6,000	4,500	4,004	(496)
Insurance	48,660	48,660	48,660	-
Professional/technical services	3,000	1,500	212	(1,288)
Training	1,000	2,500	2,096	(404)
Program implements	600	300	173	(127)
Animal control	3,600	3,600	38	(3,562)
Dispatch expense	40,200	40,200	35,100	(5,100)
Drug fund expenditures	7,000	9,039	14,987	5,948
Miscellaneous	1,000	1,000	845	(155)
Total police department	<u>1,015,714</u>	<u>939,731</u>	<u>990,442</u>	<u>50,711</u>
Fire Department				
Salaries	56,976	57,000	54,680	(2,320)
Retirement/pension	16,163	16,163	16,345	182
Unemployment	62	40	46	6
Hospitalization	10,660	10,660	10,706	46
Life/dental	132	144	138	(6)
Social Security	4,665	4,665	4,249	(416)
Worker's Compensation	4,256	4,569	4,569	-
Clothing	1,200	1,200	737	(463)
Incentive	4,000	4,000	6,584	2,584
Other benefits	130	130	300	170
Maintenance-fixtures	3,000	4,200	4,599	399
Maintenance-vehicles/equipment	13,000	12,000	11,046	(954)
Utilities	6,000	6,000	6,161	161
State Aid expense	11,000	11,000	12,782	1,782
Volunteer fire expenditures	51,000	51,000	50,000	(1,000)
Fire prevention	1,200	2,000	1,798	(202)
Technical supplies	14,000	14,000	14,365	365
Office supplies	1,000	1,000	612	(388)
Cleaning supplies	800	800	432	(368)
Dues and subscriptions	2,000	1,500	703	(797)
Motor fuel/oil	3,000	4,300	4,256	(44)
Grant expense	1,000	1,000	-	(1,000)
Postage	300	200	164	(36)
Telephone	2,500	1,900	1,790	(110)
Advertising/printing	350	350	134	(216)
Travel	3,500	2,500	762	(1,738)
Insurance	15,533	15,533	15,533	-
Professional/technical services	8,000	6,500	5,539	(961)
Training	4,000	500	110	(390)
Dispatch expense	10,000	10,000	11,702	1,702
Miscellaneous	200	100	43	(57)
Total fire department	<u>249,627</u>	<u>244,954</u>	<u>240,885</u>	<u>(4,069)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Continued)				
Public Works				
Salaries	492,908	450,000	493,859	43,859
Overtime/help	18,000	30,535	35,395	4,860
Retirement/pension	132,300	126,615	131,446	4,831
Unemployment	521	412	412	-
Hospitalization	94,021	86,816	82,197	(4,619)
Life/dental	1,716	1,489	1,469	(20)
Social security	39,084	37,425	39,324	1,899
Workers' Compensation	46,811	48,640	48,640	-
Clothing	7,000	6,867	6,459	(408)
Other benefits	1,050	1,000	652	(348)
Duplicate charges	(583,388)	(552,859)	(491,998)	60,861
Total public works	<u>250,023</u>	<u>236,940</u>	<u>347,855</u>	<u>110,915</u>
Street Department				
Maintenance - buildings/grounds	1,000	61	46	(15)
Maintenance - fixtures	1,200	300	213	(87)
Maintenance - vehicles/equipment	12,000	11,000	11,453	453
Utilities	20,000	20,752	20,493	(259)
Technical Supplies	4,000	5,000	4,593	(407)
Office Supplies	250	1,091	938	(153)
Cleaning Supplies	200	1,400	56	(1,344)
Street sweeping	4,000	4,000	-	(4,000)
Litter Abatement	1,800	2,300	2,321	21
Motor fuel/oil	3,000	3,700	3,800	100
Insurance	5,118	5,118	5,118	-
Professional/technical services	1,000	3,271	2,463	(808)
Street markers	1,000	3,800	3,828	28
Miscellaneous	500	397	128	(269)
Total Street Department	<u>55,068</u>	<u>62,190</u>	<u>55,450</u>	<u>(6,740)</u>
Parks and Cemeteries Department				
Salaries	33,600	27,523	24,563	(2,960)
Overtime	3,500	5,424	4,068	(1,356)
Retirement	943	1,155	866	(289)
Social Security	2,838	2,520	2,103	(417)
Maintenance - buildings/grounds	5,000	14,000	13,056	(944)
Maintenance - fixtures	1,500	4,000	3,577	(423)
Maintenance - vehicles/equipment	7,500	6,500	7,722	1,222
Utilities	13,000	11,500	11,843	343
Technical Supplies	2,500	5,000	4,657	(343)
Office Supplies	250	1,300	1,277	(23)
Women's club expenditures	500	106	106	-
Community center expenditures	13,500	17,200	16,999	(201)
Motor fuel/oil	3,200	7,500	7,845	345
Equipment rental	500	500	-	(500)
Insurance	12,239	12,278	12,278	-
Professional/technical services	1,500	1,500	1,119	(381)
Miscellaneous	500	575	418	(157)
Total Parks and Cemeteries	<u>102,570</u>	<u>118,581</u>	<u>112,497</u>	<u>(6,084)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Continued)				
Non-Departmental				
Maintenance - buildings/grounds	2,000	1,449	1,285	(164)
Shop expense	14,000	14,000	16,921	2,921
Grant expenditures	2,000	20,200	27,530	7,330
Postage	300	419	314	(105)
PVA - tax roll	5,000	4,879	4,879	-
Service contracts	16,000	21,000	19,860	(1,140)
Audit	9,000	9,000	9,000	-
General liability insurance	15,000	10,200	10,156	(44)
Chamber of Commerce	1,200	1,200	1,200	-
Airport	5,000	5,648	5,648	-
Library	5,000	5,000	5,000	-
Detention Center meals	20,000	20,000	-	(20,000)
Kentucky municipal league	850	1,070	1,070	-
Purchase area development	500	500	478	(22)
Contingency	25,000	71,485	71,485	-
Economic development	15,000	15,000	15,000	-
Total Non-Departmental	<u>135,850</u>	<u>201,050</u>	<u>189,826</u>	<u>(11,224)</u>
Debt Service				
Debt payment	7,392	7,392	7,392	-
Interest on debt	29,119	29,119	29,119	-
Total debt service	<u>36,511</u>	<u>36,511</u>	<u>36,511</u>	<u>-</u>
Total expenditures	<u>2,200,950</u>	<u>2,178,031</u>	<u>2,353,825</u>	<u>175,794</u>
Revenues Over (Under) Expenditures	<u>(201,848)</u>	<u>(51,977)</u>	<u>(301,327)</u>	<u>(249,350)</u>
Other Financing Source (Uses)				
Transfer in - payments in lieu of tax	202,423	202,423	202,423	-
Transfer out	-	-	(1,900)	(1,900)
Total other financing source (uses)	<u>202,423</u>	<u>202,423</u>	<u>200,523</u>	<u>(1,900)</u>
Net Change in Fund Balance	<u>\$ 575</u>	<u>\$ 150,446</u>	<u>(100,804)</u>	<u>\$ (251,250)</u>
Fund Balance - Beginning			<u>1,807,238</u>	
Fund Balance - Ending			<u>\$ 1,706,434</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - TOURISM FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>
Revenues				
Hotel tax - City of Fulton	\$ 11,500	\$ 14,000	\$ 15,257	\$ 1,257
Restaurant tax	85,000	90,000	95,071	5,071
Interest	7,200	7,100	7,582	482
Festival income	53,000	56,000	76,995	20,995
Miscellaneous	500	400	385	(15)
Total revenues	<u>157,200</u>	<u>167,500</u>	<u>195,290</u>	<u>27,790</u>
Expenditures				
Clerical services	17,500	17,500	17,583	83
Special projects	5,000	5,000	4,789	(211)
Lohaus field	5,500	5,500	6,181	681
Office supplies	200	164	222	58
Fourth of July/Christmas	18,500	22,380	16,627	(5,753)
Telephone	1,800	1,800	1,565	(235)
Advertising/printing	1,000	421	1,790	1,369
Travel	2,000	600	450	(150)
Festival expenses	90,000	140,000	92,639	(47,361)
Capital Outlay	2,700	1,072	804	(268)
Postage	200	885	885	-
Total expenditures	<u>144,400</u>	<u>195,322</u>	<u>143,535</u>	<u>(51,787)</u>
Net Change in Fund Balance	<u>\$ 12,800</u>	<u>\$ (27,822)</u>	<u>\$ 51,755</u>	<u>\$ 79,577</u>
Fund Balance - Beginning			<u>363,866</u>	
Fund Balance - Ending			<u>\$ 415,621</u>	

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2022

	Utility Fund
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,491,967
Accounts receivable (net)	231,976
Inventory	26,252
Prepaid expenses	43,510
Total current assets	1,793,705
Noncurrent Assets	
Restricted assets:	
Cash in bond-related accounts	30,267
Capital assets, net of accumulated depreciation:	
Utility plant in service	9,769,891
Total noncurrent assets	9,800,158
Total Assets	11,593,863
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	54,700
Deferred outflows related to other postemployment benefits	202,730
Total Deferred Outflows of Resources	257,430
Total Assets and Deferred Outflows of Resources	\$ 11,851,293
LIABILITIES	
Current Liabilities	
Accounts payable	90,806
Accrued expenses	19,128
Customer deposits	219,381
Due to General Fund	130,604
Noncurrent liabilities due within one year	288,413
Total current liabilities	748,332
Noncurrent Liabilities	
Net pension liability	1,028,084
Net other postemployment benefit liability	348,617
Bonds and notes payable, net of current	5,771,490
Total noncurrent liabilities	7,148,191
Total Liabilities	7,896,523
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	477,211
Deferred inflows related to other postemployment benefits	279,988
Unearned grant revenue	557,768
Total deferred inflows of resources	1,314,967
Total Liabilities and Deferred Inflows of Resources	9,211,490
NET POSITION	
Net investment in capital assets	3,740,255
Restricted for debt service	30,267
Unrestricted	(1,130,719)
Total Net Position	2,639,803
Total Liabilities, Deferred Inflows of Resources, Net Position	\$ 11,851,293

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2022

	Utility Fund
Operating Revenues	
Utility sales	\$ 2,483,383
Miscellaneous	51,432
Total operating revenues	2,534,815
Operating Expenses	
Personnel/administrative costs	789,118
Gas purchases	396,921
Depreciation	342,165
Technical supplies	40,724
Dispatch expense	23,397
Maintenance	43,042
Maintenance to system	144,819
Utilities	187,628
Advertising and printing	533
Professional services	150,328
PILOT	202,423
Postage	7,575
Insurance	45,780
Telephone	3,194
Motor fuel and oil	27,176
Training	4,436
Office and cleaning supplies	7,223
Travel and registrations	520
Dues and subscriptions	1,192
Audit expense	6,950
Miscellaneous	25,340
Total operating expenses	2,450,484
Operating Income (Loss)	84,331
Non-operating revenues (expenses)	
Interest earnings	41,228
Interest expense	(170,753)
Total non-operating revenues (expenses)	(129,525)
Change in Net Position	(45,194)
Net Position - Beginning	2,856,445
Prior period adjustments	(171,448)
Net Position - Beginning - Restated	2,684,997
Net Position - Ending	\$ 2,639,803

The accompanying notes are an integral part of these financial statements

CITY OF FULTON, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended June 30, 2022

	Utility Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 3,063,785
Cash payments to suppliers	(1,300,780)
Cash payments for employees services and benefits	(788,167)
Net cash provided by operating activities	974,838
Cash Flows From Non-Capital Financing Activities	
Increase in due to/from other funds	130,604
Net cash used by non-capital financing activities	130,604
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(29,355)
Payments on principal of long-term debt	(224,106)
Interest payments on long-term debt	(157,228)
Net cash used by capital and related financing activities	(410,689)
Cash Flows From Investing Activities	
Interest income	41,228
Net cash provided by investing activities	41,228
Net Increase in Cash and Cash Equivalents	735,981
Cash and Cash Equivalents - Beginning	798,877
Cash and Cash Equivalents - Ending	\$ 1,534,858
Unrestricted cash and cash equivalents on deposit	\$ 1,491,967
Restricted cash and cash	30,267
Total Cash and Cash Equivalents	1,522,234

Reconciliation of Operating Income to Net Cash Flows From Operating Activities:

Operating income (loss)	\$ 84,331
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	342,165
(Increase) Decrease in Deferred outflows	(26,647)
Increase (Decrease) in Deferred inflows	590,250
(Increase) Decrease in accounts receivable	(12,465)
(Increase) Decrease in prepaids	(38,805)
Increase (Decrease) in accounts payable	16,388
Increase (Decrease) in other accrued expenses	9,562
Increase (Decrease) in customer deposits	(16,333)
Increase (Decrease) in compensated absences	(8,611)
Increase (Decrease) in unearned grant revenue	557,768
Increase (Decrease) in net pension liability	(416,663)
Increase (Decrease) in net other postemployment benefit liability	(106,102)
Total adjustments	890,507
Net Cash Provided by Operating Activities	\$ 974,838

The accompanying notes are an integral part of these financial statements.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fulton, Kentucky, operates under a City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, parks and cemeteries, sanitation, health and social services, public improvements, planning and zoning, code enforcement, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

For financial reporting purposes, the City includes all funds, agencies, boards, commissions and authorities that are controlled by or dependent on the City. Control by or dependence on the City has been determined on the basis of budget adoption, taxing authority, guarantee of debt, general obligations of the City, ownership of assets, or the City's obligation to fund any deficits that may occur. Based on these criteria, there were no component units applicable for inclusion in the basic financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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 flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In general, taxes, licenses, federal and state grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Tourism Fund is a special revenue fund used to account for revenues and expenditures related to tourism focused taxes and fundraising.

The City reports the following major proprietary fund:

The Utility Fund accounts for the activities associated with the water distribution system, the activities associated with the City's collection, transportation, treatment and disposal of wastewater, and the activities associated with the gas distribution system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all of the City's enterprise funds are charges to customers for sales and services. The Utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. The utility funds recognize income based on cycle billings. This results in recognizing as income the water usage through each respective cycle each month, which may not coincide with the last day of the fiscal year. Non-recognition of income from water sales as a result of cycle billing is a common industry practice. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The cost of purchased water is accrued based on the final meter reading of the fiscal year. This may result in unrecognized expenses for the period between the final billing and the end of the fiscal year. This practice is consistent with industry guidelines and does not differ significantly from generally accepted accounting principles.

D. Assets, Liabilities, Deferred Inflows/Outflows, and Fund Balance/Net Position

Cash

The City's cash includes all deposits with financial institutions, including restricted deposits. The City has no investments or cash equivalents as defined by GASB that require disclosure.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows, and Fund Balance/Net Position (Continued)

The City reports an allowance for uncollectible accounts in the General Fund for property taxes and in the Utility Fund for accounts receivable. Property taxes receivable include taxes which attach as an enforceable lien in the current fiscal year but are not billed until the following October.

Capital Assets

Capital assets, including property, plant, vehicles, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for equipment and for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 – 70 years
Vehicles and equipment	5 – 30 years
Furniture and fixtures	5 – 10 years
Infrastructure	20 – 50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items related to pensions and other postemployment benefits that qualified for reporting in this category. See Note 4 for details related to these items.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has various items that qualify for reporting in this category. Property taxes reported as receivables before the period for which they were levied are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, past due property taxes are also deferred in the governmental funds balance sheet. There are also deferred inflows related to pensions and other postemployment benefits included in this category.

Compensated Absences

The City provides paid vacation annually for employees with at least one year of service. Vacation time may be paid in cash to employees upon approval of the City Manager. Only one half of any accrued leave may be converted to cash and may be done only once in a twelve month period. The City's sick leave policy states that employees may be paid for their accumulated sick leave upon their termination due to retirement or medical disability. In these circumstances, the payment shall be for unused sick days at one half the employee's hourly rate or \$5.00 per hour, whichever is less.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Retirement Systems (KRS), County Employees Retirement System (CERS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by KRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Plan. Investments are reported at fair value.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows/Outflows, and Fund Balance/Net Position (Continued)

Other Postemployment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Retirement Systems' Insurance Fund (KRS Insurance Fund) and additions to/deductions from KRS Insurance Fund's fiduciary net position have been determined on the same basis as they are reported by KRS Insurance Fund. For this purpose, KRS Insurance Fund recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for short-term investments that are reported at cost, which approximates fair value.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

Fund Balance/Net Position

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted – amounts that can be spent only for specific purposes because of limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.
- Committed – amounts that can be used only for specific purposes determined by a formal action of the City Commission by ordinance, with the same process required to rescind.
- Assigned – amounts that are designated by the City Commission for a particular purpose but are not spendable until there is a majority vote approval by the City Commission.
- Unassigned – all amounts in the General Fund not included in other spendable classifications.

As of June 30, 2022, the City had restricted fund balance of \$43,271 for Drug and Police Evidence Funds, \$456,803 for alcoholic beverage funds, \$21,620 for unexpended grant funds, \$415,621 for Tourism, \$58,256 for municipal aid funds, and \$73,366 for cemetery maintenance.

In the Utility Fund, restricted net position of \$30,267 is reported for the replacement reserve fund required by the 2016 Kentucky Infrastructure loan agreement.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances, before using unassigned fund balances.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Commission.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Invested Funds

Custodial credit risk of deposits is the risk that in the event of a bank failure the government's deposits may not be returned to it. Interest-bearing and non-interest bearing deposits are each covered by federal depository insurance up to \$250,000. Deposits over the insured amounts are covered by collateral held by the City's agent in the City's name. At June 30, 2022, all bank deposits were fully insured or collateralized. All funds are classified as public funds.

B. Receivables

Receivables are presented in the financial statements net of allowances for uncollectible accounts. The Utility Fund has an allowance of \$8,000 as of June 30, 2022. The allowance for uncollectible property taxes was \$43,645 at June 30, 2022.

C. Capital Assets

Governmental capital asset activity for the year ended June 30, 2022, is shown below.

Governmental activities:	Beginning <u>Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets, not being depreciated					
Land	\$ 269,920	\$ -	\$ -	\$ -	269,920
Construction in progress	-	-	27,530	-	27,530
Total capital assets, not being depreciated	<u>269,920</u>	<u>-</u>	<u>27,530</u>	<u>-</u>	<u>297,450</u>
Capital assets, being depreciated					
Buildings	3,844,415	-	-	-	3,844,415
Improvements	32,409	-	-	-	32,409
Vehicles and equipment	5,467,825	14,335	-	-	5,482,160
Total capital assets, being depreciated	<u>9,344,649</u>	<u>14,335</u>	<u>-</u>	<u>-</u>	<u>9,358,984</u>
Less accumulated depreciation					
Buildings and improvements	2,329,291	-	80,838	-	2,410,129
Equipment	2,735	-	2,161	-	4,896
Vehicles	4,418,025	-	120,794	-	4,538,819
Total accumulated depreciation	<u>6,750,051</u>	<u>-</u>	<u>203,793</u>	<u>-</u>	<u>6,953,844</u>
Total capital assets being depreciated, net	<u>2,594,598</u>	<u>14,335</u>	<u>(203,793)</u>	<u>-</u>	<u>2,405,140</u>
Governmental activities capital assets, net	<u>\$ 2,864,518</u>	<u>\$ 14,335</u>	<u>\$ (176,263)</u>	<u>\$ -</u>	<u>\$ 2,702,590</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 64,882
Public safety	91,018
Public works	38,165
Parks and cemeteries	9,728
Total depreciation expense-governmental activities	<u>\$ 203,793</u>

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)
C. Capital Assets (Continued)

Business-type capital asset activity for the year ended June 30, 2022, is summarized below:

Business-type activities:	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated					
Utility plant in operation	\$ 16,657,649	\$ -	\$ 29,355	\$ -	\$ 16,687,004
Total capital assets being depreciated	<u>16,657,649</u>	<u>-</u>	<u>29,355</u>	<u>-</u>	<u>16,687,004</u>
Less accumulated depreciation					
Utility plant in operation	6,264,257	310,691	342,165	-	6,917,113
Total accumulated depreciation	<u>6,264,257</u>	<u>310,691</u>	<u>342,165</u>	<u>-</u>	<u>6,917,113</u>
Total capital assets being depreciated, net	<u>10,393,392</u>	<u>310,691</u>	<u>371,520</u>	<u>-</u>	<u>9,769,891</u>
Business-type activities capital assets, net	<u>\$ 10,393,392</u>	<u>\$ 310,691</u>	<u>\$ 371,520</u>	<u>\$ -</u>	<u>\$ 9,769,891</u>

D. Long-Term Debt

The City issued Kentucky Rural Water Finance Corporation (KRWFC) Public Projects Refunding and Improvement Revenue Bonds, Series 2013C, as of March 27, 2013, for \$840,000. The refunding bonds have interest rates that vary from 2.3% to 4.8% and the maturity date is February 1, 2027. Monthly payments of principal and interest vary in accordance with the payment schedule included in the bond document. The balance outstanding at June 30, 2022, was \$395,000.

The premium associated with the bonds was \$79,966. This amount is being amortized over the life of the new debt and is included with bonds payable in the statements of net position. Amortization for the year ended June 30, 2022, was \$5,331.

On January 1, 2016, the City entered into an assistance agreement with the Kentucky Infrastructure Authority for a loan in the amount of \$1,139,000 for wastewater treatment plant improvements. The interest rate is .75% and the term is 20 years. Annual debt service is \$61,467 plus an administrative fee of \$2,278. Semi-annual payments of principal and interest are due June 1 and December 1 each year. The amount outstanding as of June 30, 2022, was \$843,017. In conjunction with this loan, a replacement reserve account was required to be established for \$28,000. This reserve shall be maintained for the life of the loan.

On October 20, 2016, the City entered into a lease agreement with the Kentucky Bond Corporation in conjunction with the Series 2016C bond issue in the amount of \$6,090,000 for acquisition and installation of the energy savings project more particularly described in the PACT Agreement dated August 22, 2016, between City of Fulton and Trane U.S. Inc. The term of the lease is 20 years. Monthly payments of principal and interest are due, plus an administrative fee. The amount outstanding as of June 30, 2022, was \$5,402,084 (government type of \$594,230 and Utility of \$4,807,854). The lease payments are being paid 89.19% from the Utility Fund and 10.81% from the General Fund.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (Continued)

The following is a summary of estimated future debt service requirements as of June 30, 2022:

Year Ending	Total Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
June 30,						
2023	\$ 20,167	\$ 16,286	\$ 288,413	\$ 160,694	\$ 308,580	\$ 176,980
2024	21,980	15,889	312,015	153,445	333,995	169,334
2025	24,368	15,450	337,130	145,582	361,498	161,032
2026	26,845	14,949	362,991	136,956	389,836	151,905
2027	29,457	14,364	384,970	127,377	414,427	141,741
2028-2032	194,761	58,333	1,898,020	497,505	2,092,781	555,838
2033-2037	276,652	23,604	2,462,332	199,873	2,738,984	223,477
Total	<u>\$ 594,230</u>	<u>\$ 158,875</u>	<u>\$ 6,045,871</u>	<u>\$ 1,421,432</u>	<u>\$ 6,640,101</u>	<u>\$ 1,580,307</u>

Changes in long-term liabilities for the year ended June 30, 2022, were as follows:

	Balance				Balance June 30, 2022	Due Within One Year
	June 30, 2021	Adjustments	Borrowings	Retirements		
Governmental Activities						
KY Bond Corporation, 2016C series	\$ 601,622	\$ -	\$ -	\$ (7,392)	\$ 594,230	\$ 20,167
Bond discount, net of amortization	(1,639)	-	-	109	(1,530)	n/a
Compensated absences	111,886	-	121,705	(172,987)	60,604	n/a
Total for Governmental activities	<u>\$ 711,869</u>	<u>\$ -</u>	<u>\$ 121,705</u>	<u>\$ (180,270)</u>	<u>\$ 653,304</u>	<u>\$ 20,167</u>
Business-Type Activities						
KRWFC bonds, 2013B series	\$ 403,000	\$ 62,000	\$ -	\$ (70,000)	\$ 395,000	\$ 70,000
Bond premium being amortized	31,987	-	-	(5,331)	26,656	n/a
KIA Infrastructure loan	897,851	-	-	(54,834)	843,017	\$ 55,247
KY Bond Corporation, 2016C series	4,963,795	-	-	(155,941)	4,807,854	163,166
Bond discount being amortized	(13,525)	-	901	-	(12,624)	n/a
Compensated absences	8,611	-	-	(8,611)	-	n/a
Total for business-type activities	<u>6,291,719</u>	<u>62,000</u>	<u>901</u>	<u>(294,717)</u>	<u>6,059,903</u>	<u>288,413</u>
Total of all fund types	<u>\$ 7,003,588</u>	<u>\$ 62,000</u>	<u>\$ 122,606</u>	<u>\$ (474,987)</u>	<u>\$ 6,713,207</u>	<u>\$ 308,580</u>

The liability for compensated absences in governmental activities is fully liquidated by the General Fund.

E. Interfund Receivables, Payables, and Transfers

There was a transfer of \$1,900 made from the General Fund to the Cemetery Fund to clear small, accumulated reimbursement balance from prior years. The transfer of \$202,423 from the Utility Fund to the General Fund is the annual in-lieu-of-tax payment.

F. Prior Period Adjustment

During the current year, it was determined that \$9,414 in deferred revenues had been reported in error. A prior period adjustment was made to reduce deferred revenues and increase beginning net position by this amount in governmental activities.

During the current year, it was determined that liabilities were overstated in a prior period by \$23,726. A prior period adjustment was made to the governmental fund financial statements to reduce liabilities and increase

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Prior Period Adjustment (Continued)

beginning net position by this amount.

During the current year, it was determined that sanitation liabilities were overstated in a prior period by \$139,244. A prior period adjustment was made to the business-type fund financial statements to reduce liabilities and increase beginning net position by this amount.

During the current year, it was determined that accumulated depreciation understated and expenses were understated by \$310,692. A prior period adjustment was made to the business-type fund financial statements to increase accumulated depreciation and decrease beginning net position by this amount.

Government-wide governmental activities beginning net position was increased by \$14,334 in order to adjust fixed assets.

NOTE 4 – OTHER INFORMATION

A. Pensions

Plan Description. The City contributes to the Kentucky Retirement Systems (KRS) County Employees Retirement System (CERS), hereafter referred to as the "Plan," which is a cost-sharing multiple employer defined benefit pension plan. The Plan was established in 1958 by the Kentucky General Assembly in order to supplement the benefits provided by Social Security. Kentucky Revised Statute Section 61.645 grants the authority to establish and amend the benefit terms to the CERS Board of Trustees. All regular full-time employees of the City are eligible to participate in the Plan.

The CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or it may be found at the KRS website at www.kyret.ky.gov.

Benefits provided. The Plan provides for retirement, disability, and death benefits to Plan members. Retirement benefits may be extended to beneficiaries of members under certain circumstances.

Under the City's plan, members are eligible to retire with an unreduced benefit at age 65 or after 27 years of service credit. Employees who began participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service must equal 87 and be a minimum of 57 years of age) or be age 65 with a minimum of 60 months service credit. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit for employees who began before September 1, 2008, and at age 60 with 10 years of service for those who began on or after September 1, 2008 but before January 1, 2014. There is no reduced benefit available for those whose participation began on or after January 1, 2014. Members vest with five years of service credit. Service related disability benefits are provided after five years of service.

Cost of living adjustments (COLA) are provided at the discretion of the General Assembly. Effective July 1, 2009, COLA was limited to 1.5%. No COLA has been granted since July 1, 2011.

Contributions. The contribution requirements of Plan members and the City are established by state statute. Employee contributions for nonhazardous employees who began participating with KRS prior to September 1, 2008, contribute 5% of their creditable compensation to KRS. Those who began on or after September 1, 2008, contribute a total of 6% of all their creditable compensation to KRS. One percent of each employee's contribution is deposited to the KRS Pension Fund 401(h) account for the payment of health insurance benefits. If a member terminates his/her employment and applies to take a refund, the member is entitled to a full refund of contributions and interest in his/her account; however, the 1% contributed to the 401(h) account is non-refundable and is forfeited. Plan members who began participating on or after January 1, 2014, were required

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – OTHER INFORMATION (CONTINUED)

A. Pensions (Continued)

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.

Employer contribution rates for fiscal year 2022 were adopted by the Board of KRS based on actuarially recommended rates. For the year ended June 30, 2022, the City's covered payroll was \$1,308,494. Covered payroll refers to the payroll on which contributions to a pension plan are based. The required pension contribution rate for the year ended June 30, 2022, was 22.78%. The City's contributions to the Plan for the year ended June 30, 2022, were \$298,075.

Pension Liabilities. At June 30, 2022, the City reported a liability of \$3,167,043 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, based on an expected total pension liability calculated as of that date using standard roll forward techniques applied to the total pension liability determined by an actuarial valuation as of June 30, 2020. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportion was 0.049673 percent. At June 30, 2020, the City's proportion was 0.046746 percent.

Pension Expense. For the year ended June 30, 2022, the City recognized pension expense of \$319,524.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 422,114
Changes in assumptions	42,506	-
Differences between expected and actual experience	36,367	30,738
Changes in proportion and differences between City contributions and proportionate share of contributions	144,845	26,144
Contributions subsequent to the measurement date of June 30, 2021	298,075	<i>(Not applicable)</i>
Total	<u>\$ 521,793</u>	<u>\$ 478,996</u>

The deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement period ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense in the following measurement periods:

Year ended <u>June 30:</u>	
2022	\$ (769)
2023	(32,289)
2024	(90,036)
2025	(132,184)
2026	-
Thereafter	-

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – OTHER INFORMATION (CONTINUED)

A. Pensions (Continued)

Actuarial Methods and Assumptions. The total pension liability, net pension liability, and sensitivity information as of June 30, 2022, were based on an actuarial valuation date of June 30, 2021, rolled-forward from the valuation date to the measurement date of June 30, 2021, using generally accepted actuarial principles. Key actuarial assumptions are as follows:

Inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.30 to 10.30 percent
Investment rate of return	6.25 percent

In the June 30, 2021, valuation, the mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2019. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

The actuarial assumptions used were based on the results of an actuarial experience study entitled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. Regular experience studies are prepared every five years.

The long-term expected rate of return on investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – OTHER INFORMATION (CONTINUED)

A. Pensions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	<u>68.50%</u>	
U.S. equity	21.75%	5.70%
Non-U.S. equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/High yield	15.00%	2.80%
Liquidity	<u>11.50%</u>	
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	<u>20.00%</u>	
Real estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real return	10.00%	4.55%
 Expected Real Return	 100.00%	 5.00%
Long Term Inflation Assumption		2.30%
 Expected Nominal Return for Portfolio		 7.30%

Discount Rate. The single discount rate of 6.25% was based on the expected rate of return on plan investments. The projection of cash flows assumes that the plan will receive the required employer contributions each future year as determined by the current funding policy established in the Statute as last amended by Senate Bill 249, passed in 2020. Based on these assumptions, the plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return was applied to all periods of the projected benefit payments to determine the total pension liability. The discount rate determination does not use a municipal bond rate.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25 percent) or 1-percentage-point higher (7.25 percent) than the current rate:

Net pension liability	1% Decrease	Current Discount Rate	1% Increase
As of June 30, 2022	\$ 4,061,883	\$ 3,167,043	\$ 2,426,584

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems comprehensive annual financial report.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefits

The County Employees Retirement System also contains an OPEB plan. Employees covered under this plan are provided with other postemployment benefits through the CERS Non-hazardous Insurance Fund, a cost-sharing, multiple-employer defined benefit OPEB plan that covers all regular full-time members employed in non-hazardous duty positions of any state department, county, city, and any additional eligible local agencies electing to participate. Participation in the insurance program is optional and requires the completion of the proper forms at the time of retirement and each year during open enrollment in order to obtain insurance coverage. KRS provides access to group health insurance coverage through the Kentucky Employees Health Plan for recipients until they reach age 65 and/or become Medicare eligible. After a retired or disabled retired member becomes eligible for Medicare, coverage is available through a Medicare eligible plan offered by KRS. OPEB may be extended to beneficiaries of plan members under certain circumstances. The Insurance Fund is administered by the County Employees Retirement System. Kentucky Revised Statute Section 61.645 grants the authority to establish and amend the benefit terms to the CERS Board of Trustees. Section 61.701 provides for the administration of the Kentucky Retirement Systems Insurance Fund.

KRS issues a publicly available financial report that may be viewed electronically at www.kyret.ky.gov/ publications. Alternate formats are available upon request.

Benefits provided. The Insurance Fund provides healthcare benefits through payment of insurance premiums for retirees. The percentage of premiums paid is determined by a retiree’s date of participation in the plan.

Tier 1	Participation date Benefit eligibility Benefit	Before July 1, 2003 Recipient of a retirement allowance Percentage of premium paid by KRS <u>Years of Service</u> Less than 4 years.....0% 4 – 9 years.....25% 10 – 14 years50% 15 – 19 years75% 20 or more years100%
Tier 2	Participation date Benefit eligibility Benefit	After 7/1/2003 but before September 1, 2008 Recipient of a retirement allowance with at least 120 months of service at retirement Monthly contribution of \$10 for each year of earned service increased by 1.5% each July 1.
Tier 3	Participation date Benefit eligibility Benefit	After September 1, 2008 Recipient of a retirement allowance with at least 180 months of service at retirement Monthly contribution of \$10 for each year of earned service increased by 1.5% each July 1.

Upon retiree’s death, the surviving spouse of Tier 2 and Tier 3 members may continue coverage but will be responsible for 100% of premiums. Tier 1 surviving spouses will continue to receive retiree’s benefits. There are also benefits for disability and death while in service.

Contributions. OPEB contributions are actuarially determined and set by the KRS Board. The City’s actuarially determined contribution rate for the year ended June 30, 2022, was 4.17 percent of covered payroll and contributions paid were \$54,564. However, the fully-insured premiums KRS pays for the Kentucky Employees’ Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to all participants, there is an implicit employer subsidy for the non-Medicare eligible retirees. KRS has determined that employer contributions need to be adjusted to reflect the cost of the

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefits (Continued)

implicit subsidy. For the year ended June 30, 2022, KRS reported an implicit subsidy of \$28,111.

OPEB liability. At June 30, 2022, the City reported a liability of \$950,735 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the measurement date of June 30, 2021, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on employers' actual contributions for FY 2021. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2021, the City's proportion was 0.049661 percent. At June 30, 2020, the City's proportion was 0.046733 percent.

Actuarial assumptions. The total pension liability as of June 30, 2022, was determined using the following actuarial assumptions:

Payroll Growth Rate	2.00 percent
Inflation	2.30 percent
Salary increases	3.30 percent to 10.30 percent, varies by service
Investment Rate of Return	6.25 percent
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare cost trend rates:	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.00% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
CERS Phase-in Provisions	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

In the June 30, 2021, valuation, the mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019, valuation process and was updated to better reflect more current expectations relating to anticipated future increases in medical costs. The anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee," which occurred in December 2019, are reflected in the June 30, 2020, GASB 75 actuarial information. The assumed load on pre-Medicare premiums to reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

The actuarial assumptions used were based on the results of an actuarial experience study entitled "Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018". Regular experience studies are prepared every five years.

The long-term expected rate of return on OPEB plan investments used to determine the discount rate is the same rate used by the Kentucky Retirement Systems (KRS) County Employees Retirement System (CERS) pension plan, which was 6.25% for 2021.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefits (Continued)

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2022, was 5.20%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan’s fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of current plan members. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 2.45% as reported in Fidelity’s *20-Year Municipal GO AA Index* as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of KRS’ actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20 percent) or 1-percentage-point higher (6.20 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$1,305,352	\$950,735	\$ 659,713

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Lower	Current Healthcare Trend Rate	1% Higher
Net OPEB liability	\$ 684,416	\$950,735	\$1,272,186

OPEB expense and deferred outflows and inflows of resources related to OPEB. For the year ended June 30, 2022, the City recognized CERS OPEB expense of \$118,864.

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CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – OTHER INFORMATION (CONTINUED)
B. Other Postemployment Benefits (Continued)

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to CERS OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 148,729
Changes in assumptions	252,058	884
Differences between expected and actual experience	149,503	283,858
Changes in proportion and differences between City contributions and proportionate share of contributions	41,448	42,803
Contributions subsequent to the measurement date of June 30, 2021 (includes implicit subsidy of \$31,263)	<u>85,827</u>	<u>-</u>
Total	<u>\$ 528,836</u>	<u>\$ 476,274</u>

The amount reported above as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in the following measurement periods:

Year ended June 30:	
2022	\$47,035
2023	58,135
2024	36,901
2025	37,472
2026	(4,724)
Thereafter	-

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems comprehensive annual financial report.

C. Risk Management

The City purchases commercial insurance for the risks of losses to which it is exposed through the Kentucky League of Cities Insurance Services. These risks include general liability, property and casualty, worker's compensation, and public officials and employee liability. There were no losses that exceeded insurance coverage in the past three years.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events were evaluated through December 13, 2023, the date the financial statements were available to be issued. No subsequent events that required disclosure were noted as of the report date.

- End of Notes to the Financial Statements -

**SCHEDULE OF THE CITY OF OF FULTON'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM OF KENTUCKY RETIREMENT SYSTEMS
Plan Years ending June 30**

	2014	2015	2016	2017	2018	2019	2020	2021
City of Fulton's proportion of the collective net pension liability	0.045510%	0.049792%	0.049242%	0.051082%	0.049861%	0.047370%	0.046746%	0.049673%
City of Fulton's proportionate share of the net pension liability	\$1,477,000	\$2,140,836	\$2,424,473	\$2,989,987	\$3,036,687	\$3,331,553	\$3,585,379	\$3,167,043
City of Fulton's covered payroll	\$1,043,418	\$1,162,279	\$1,177,546	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401	\$1,308,494
Proportionate share of the net pension liability as percentage of covered payroll	141.55%	184.19%	205.89%	240.40%	244.33%	279.75%	299.43%	242.04%
Plan fiduciary net position as percentage of the total pension liability	66.80%	59.97%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 68 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Inflation	2.30 percent
Payroll growth rate	2.00 percent
Salary increases	3.30 to 10.30 percent
Investment rate of return	6.25 percent

Changes in benefit terms. During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If there is no surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% for two children, or 75% for three children. The total pension liability as of June 30, 2018, is determined using these updated benefit provisions.

Changes of assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the KRS Board of Trustees adopted the following updated actuarial assumptions reflected in the actuarial valuation as of June 30, 2017:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of salary increases was reduced from 4.0% to 2.0%
- The assumed rate of inflation was reduced from 3.25% to 2.30%.

In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made: payroll growth increased from zero to 2.00%; salary increases changed from an average of 3.05% to 3.30% to 10.30% based on service type; and mortality tables changed from RP-2000 Combined Mortality Table to PUB-2010 General Mortality table.

See Independent Auditors' Report.

**SCHEDULE OF THE CITY OF FULTON'S CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM OF KENTUCKY RETIREMENT SYSTEMS
Fiscal Year ending June 30**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Statutorily determined contributions	\$143,366	\$148,663	\$146,734	\$173,501	\$179,964	\$193,165	\$231,098	\$244,874	\$298,075
Contributions in relation to the Statutorily determined contribution	143,366	148,663	146,734	173,501	179,964	193,165	231,098	244,874	298,075
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$1,043,418	\$1,162,279	\$1,177,546	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401	\$1,268,775	\$1,308,494
Contributions as a percentage of covered payroll	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	22.78%

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 68 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

Notes to Schedule:

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2021 actuarial valuation. Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Asset valuation	20% of the difference between market value of assets and the expected actuarial value of assets recognized
Amortization method	Level percentage of pay
Remaining amortization period	30-year closed period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll growth rate	2.00%
Salary increases	3.30 percent to 11.55 percent, varies by service
Investment Rate of Return	6.25 percent
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Phase-on provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Senate Bill 249 passed during the 2020 Legislative Session changed the funding period for the amortization of the unfunded liability from 24 years to 30 years as of June 30, 2019. This change does not impact the calculation of Total Pension Liability but did impact the calculation of the contribution rates starting July 1, 2020. This bill also froze the CERS contribution rate for one year.

See Independent Auditors' Report.

**SCHEDULE OF THE CITY OF FULTON'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT
BENEFIT LIABILITY COUNTY EMPLOYEES RETIREMENT SYSTEM OF KENTUCKY RETIREMENT SYSTEMS
Plan Years ending June 30**

	2017	2018	2019	2020	2021
City of Fulton's proportion of the collective net OPEB liability	0.051082%	0.049859%	0.047403%	0.046733%	0.049661%
City of Fulton's proportionate share of the net OPEB liability	\$1,026,923	\$885,237	\$797,297	\$1,128,460	\$950,735
City of Fulton's covered payroll	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401	\$1,308,494
Proportionate share of the net OPEB liability as percentage of covered payroll	82.57%	71.23%	66.95%	94.24%	72.66%
Plan fiduciary net position as percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 75 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Remaining amortization period	30-year closed period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Asset valuation	20% of the difference between market value of assets and the expected actuarial value of assets recognized
Payroll Growth Rate	2.00 percent
Inflation	2.30 percent
Salary increases	3.30 percent to 10.30 percent, varies by service
Investment Rate of Return	6.25 percent
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with

Healthcare cost trend rates:

Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.00% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
CERS Phase-in Provisions	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

In the June 30, 2019 actuarial valuation, the following changes in actuarial assumptions were made: payroll growth increased from zero to 2.00%; salary increases changed from an average of 3.05% to 3.30% to 10.30% based on service type; and mortality tables changed from RP-2000 Combined Mortality Table to PUB-2010 General Mortality table.

Changes in benefit terms: There were no changes in actuarial assumptions for June 30, 2018. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. KRS will not pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, was determined using these updated benefit provisions.

Changes of assumptions. Subsequent to the actuarial valuation date, but prior to the measurement date, the KRS Board of Trustees adopted the following updated actuarial assumptions reflected in the actuarial valuation as of June 30, 2017:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The salary increase assumption was changed from 4.0% to zero.

See Independent Auditors' Report.

**SCHEDULE OF THE CITY OF FULTON'S OPEB CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM OF KENTUCKY RETIREMENT SYSTEMS
Fiscal Year ending June 30**

	2017	2018	2019	2020	2021	2022
Statutorily determined contributions	\$58,829	\$58,414	\$62,565	\$56,997	\$60,394	\$54,564
Contributions in relation to the Statutorily determined contribution	58,829	58,414	62,565	56,997	60,394	54,564
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401	\$1,268,775	\$1,308,494
Contributions as a percentage of covered payroll	4.73%	4.70%	5.25%	4.76%	4.76%	4.17%

This schedule is required to present ten years of data. However, information measured in accordance with the requirements of GASB Statement No. 75 is not available for years prior to those presented above. During the transition period, this information will be presented for as many years as are available.

Notes to Schedule:

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Remaining amortization period	30-year closed period at June 30, 2019
Asset valuation	<i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	20% of the difference between market value of assets and the expected actuarial value of assets recognized
Inflation	2.00 percent
Salary increases	2.30 percent
Investment Rate of Return	3.30 percent to 10.30 percent, varies by service
Mortality	6.25 percent
	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare cost trend rates:	
Pre-65	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.00% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
CERS Phase-in Provisions	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2022

	Special Revenue Funds		
	Municipal Aid Fund	Cemetery Fund	Combined Total
ASSETS			
Cash	\$ 130,577	\$ 73,366	\$ 203,943
Total Assets	\$ 130,577	\$ 73,366	\$ 203,943
 LIABILITIES AND FUND BALANCE			
Liabilities			
Due to Expenditure Revolving	\$ 72,321	\$ -	\$ 72,321
Total liabilities	72,321	-	72,321
 Fund Balance			
Restricted	58,256	73,366	131,622
Total fund balance	58,256	73,366	131,622
Total Liabilities and Fund Balance	\$ 130,577	\$ 73,366	\$ 203,943

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

	Special Revenue Funds		
	Municipal Aid Fund	Cemetery Fund	Total
Revenues			
Intergovernmental revenue	\$ 47,447	\$ -	\$ 47,447
Interest income	2,382	1,494	3,876
Total revenues	<u>49,829</u>	<u>1,494</u>	<u>51,323</u>
Expenditures			
Repair and maintenance	77,732	1,050	78,782
Advertising	298	-	298
Total expenditures	<u>78,030</u>	<u>1,050</u>	<u>79,080</u>
Revenues over (under) expenditures	<u>(28,201)</u>	<u>444</u>	<u>(27,757)</u>
Other Financing Sources (Uses)			
Operating transfers in	-	1,900	1,900
Total other financing sources	<u>-</u>	<u>1,900</u>	<u>1,900</u>
Net Change in Fund Balance	<u>(28,201)</u>	<u>2,344</u>	<u>(25,857)</u>
Fund Balance - Beginning	<u>77,043</u>	<u>47,296</u>	<u>124,339</u>
Prior Period Adjustment	9,414	23,726	33,140
Fund Balance - Beginning as Restated	<u>86,457</u>	<u>71,022</u>	<u>157,479</u>
Fund Balance - Ending	<u>\$ 58,256</u>	<u>\$ 73,366</u>	<u>\$ 131,622</u>

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - MUNICIPAL AID FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>
Revenues				
State municipal aid	\$ 48,000	\$ 47,447	\$ 47,447	\$ -
Interest	2,800	2,901	2,382	(519)
Total revenues	<u>50,800</u>	<u>50,348</u>	<u>49,829</u>	<u>(519)</u>
Expenditures				
Advertising	-	307	298	(9)
Maintenance - streets	40,000	118,000	77,732	(40,268)
Sidewalk repair	10,000	10,000	-	(10,000)
Total expenditures	<u>50,000</u>	<u>128,307</u>	<u>78,030</u>	<u>(50,277)</u>
 Net Change in Fund Balance	 <u>\$ 800</u>	 <u>\$ (77,959)</u>	 \$ (28,201)	 <u>\$ 49,758</u>
Fund Balance - Beginning			77,043	
Prior Period Adjustment			<u>9,414</u>	
Fund Balance - Beginning, Restated			<u>86,457</u>	
Fund Balance - Ending			<u>\$ 58,256</u>	

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CEMETERY FUND
For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>
Revenues				
Interest	\$ -	\$ -	\$ 1,494	\$ 1,494
Total revenues	<u>-</u>	<u>-</u>	<u>1,494</u>	<u>1,494</u>
Expenditures				
Maintenance - building and grounds	-	-	1,050	1,050
Total expenditures	<u>-</u>	<u>-</u>	<u>1,050</u>	<u>1,050</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>444</u>	<u>444</u>
Other Financing Source (Uses)				
Operating transfers in	-	-	1,900	1,900
Total other financing source	<u>-</u>	<u>-</u>	<u>1,900</u>	<u>1,900</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,344</u>	<u>\$ 2,344</u>
Fund Balance - Beginning			47,296	
Prior Period Adjustment			<u>23,726</u>	
Fund Balance - Beginning, restated			<u>71,022</u>	
Fund Balance - Ending			<u>\$ 73,366</u>	

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2022

Grant Description	Assistance Listing #	Contract Number	Unearned (Accrued) 6/30/2021	Federal Receipts	Expenditures	Unearned (Accrued) 6/30/2022
Federal Awards						
US Department of the Treasury						
Passed through the Commonwealth of Kentucky						
COVID-19 - Covid Relief Fund (CRF)	21.019	C3-070	\$ -	\$ 16,208	\$ 16,208	\$ -
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund (SLFRF)	21.027	Unknown	-	819	819	-
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund (SLFRF)	21.027	Unknown	-	<u>557,768</u>	<u>-</u>	<u>557,768</u>
Total US Department of the Treasury			<u>-</u>	<u>574,795</u>	<u>17,027</u>	<u>557,768</u>
Total Federal Awards			<u>-</u>	<u>574,795</u>	<u>17,027</u>	<u>557,768</u>
State Financial Assistance						
Kentucky Department for Environmental Protection						
Litter Abatement Program	N/A	Unknown	-	1,410	1,410	-
Kentucky League of Cities						
Cyber Grant Award	N/A	Unknown	-	7,500	7,500	-
Kentucky State Fire Commission						
Fire Rescue Training	N/A	Unknown	-	<u>11,000</u>	<u>11,000</u>	<u>-</u>
Total State Financial Assistance			<u>-</u>	<u>19,910</u>	<u>19,910</u>	<u>-</u>
Total Federal Awards and State Financial Assistance			<u>\$ -</u>	<u>\$ 594,705</u>	<u>\$ 36,937</u>	<u>\$ 557,768</u>

Memo: "Accrued" is due from grantor.

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Fulton under programs of the federal and state governments for the year ended June 30, 2022. The schedule is presented using the modified accrual basis of accounting.

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
BY INDIVIDUAL ISSUE - ALL FUNDS
For the Year Ended June 30, 2022

Due For Year Ending June 30	GOVERNMENTAL LONG-TERM DEBT			UTILITY FUND						
	Kentucky Bond Corporation Financing Program Revenue		Total Debt	Kentucky Bond Corporation Financing Program Revenue		Note Payable Kentucky Infrastructure Authority		Bonds Payable Kentucky Rural Water Finance Corporation		Total Debt
	Bonds - Series 2016C		Service	Bonds - Series 2016C		Authority		Finance Corporation		Service
	Principal	Interest		Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 20,167	\$ 16,286	\$ 36,453	\$ 163,166	\$ 134,369	\$ 55,247	\$ 6,219	\$ 70,000	\$ 20,106	\$ 449,107
2024	21,980	15,889	37,869	181,353	131,098	55,662	5,804	75,000	16,543	465,460
2025	24,368	15,450	39,818	201,049	127,471	56,081	5,386	80,000	12,725	482,712
2026	26,845	14,949	41,794	221,489	123,339	56,502	4,964	85,000	8,653	499,947
2027	29,457	14,364	43,821	243,043	118,511	56,927	4,540	85,000	4,326	512,347
2028	32,475	13,668	46,143	267,942	112,773	57,354	4,112	-	-	442,181
2029	35,403	12,821	48,224	292,097	105,782	57,785	3,681	-	-	459,345
2030	38,646	11,809	50,455	318,854	97,429	58,220	3,247	-	-	477,750
2031	42,114	10,649	52,763	347,469	87,863	58,657	2,810	-	-	496,799
2032	46,123	9,386	55,509	380,544	77,439	59,098	2,369	-	-	519,450
2033	50,221	8,002	58,223	414,362	66,023	59,542	1,925	-	-	541,852
2034	54,455	6,495	60,950	449,295	53,592	59,989	1,477	-	-	564,353
2035	59,320	4,862	64,182	489,430	40,113	60,440	1,027	-	-	591,010
2036	63,959	3,082	67,041	527,707	25,430	60,894	572	-	-	614,603
2037	48,697	1,163	49,860	310,054	9,599	30,619	115	-	-	350,387
	<u>\$ 594,230</u>	<u>\$ 158,875</u>	<u>\$ 753,105</u>	<u>\$ 4,807,854</u>	<u>\$ 1,310,831</u>	<u>\$ 843,017</u>	<u>\$ 48,248</u>	<u>\$ 395,000</u>	<u>\$ 62,353</u>	<u>\$ 7,467,303</u>

See Independent Auditors' Report.



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Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Mayor and Members of the City Commission City of Fulton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fulton, Kentucky, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Fulton’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this

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304 Broadway St Martin, TN 38237 (731)587-4221 Fax (731)587-9474

11 N. Court Square Brownsville, TN 38012 (731)772-2273 Fax (731)772-2275

110 West Court Dyersburg, TN 38024 (731)286-6080 Fax (731)285-8975

1129 S Main St Milan, TN 38358 (731) 686-0181 Fax (731) 664-5616

section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2022-001, 2022-002, 2022-03, and 2022-04, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

City of Fulton's Response to Findings

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

Purpose of this Report

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

CRS CPAs

Martin, Tennessee
December 13, 2023

CITY OF FULTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

Current Year Findings

2022-001 – Budget

Condition: The City expended more than budgeted appropriations in the General Fund and the Cemetery Fund.

Cause: The budget was not amended to cover the necessary expenditures incurred during the fiscal year.

Criteria: The Kentucky Cities Financial Manual prohibits a municipality from expending any moneys except in accordance with a budget ordinance.

Effect: Spending in excess of budgeted appropriations is a violation of state law.

Recommendation: To avoid possible legal conflict, the City should authorize all expenditures either in the original budget, in an amendment, or in a supplemental appropriation.

Response: The City will ensure that expenditures are appropriately budgeted for.

2022-002 – Failure to Reconcile Accounts

Condition: During our testing of cash, we noted that no activity was recorded on the books for any of the four police cash accounts.

Cause: Management failed to ensure that all of the City's transactions were recorded on the books and that all bank accounts were reconciled to the general ledger accounts at least monthly.

Criteria: The Kentucky Cities Financial Manual states that monthly bank reconciliations are a minimum requirement for managing public funds. The Manual also states that "accounting records must be maintained in a timely fashion. Transactions occur daily and entries to record those transactions should be completed promptly to provide accurate and timely financial reporting." It further states that "The government can only demonstrate compliance with laws and regulations and accountability for public funds if the books of original entry are properly organized and maintained."

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increase when reconciliations and accounting records are not prepared in a timely manner.

Recommendation: The City's management should ensure that all accounts are recorded and all bank accounts reconciled to the general ledger account at least monthly and retain those reconciliations for audit purposes. Any reconciling item should be investigated and appropriate adjustments made to keep all the City's financial records up to date.

Response: The Police Department will reconcile their bank accounts monthly and will scan copies of all to the City Manager to be recorded in the City's books.

CITY OF FULTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2022

2022-003 – Timeliness of the Closing of the Official Accounting Records

Condition: The official accounting records were not closed timely.

Cause: The City experienced turnover and related issues in the CFO position around year-end of the fiscal year under audit, and as a result, the books were not closed on time.

Criteria: The Kentucky Cities Financial Manual states that audits must be published by February 1 of the following year. In order to get an audit completed and published by this deadline, the books must be closed in advance, with sufficient time left to perform the audit.

Effect: The quality of information provided to the auditor could decrease with the passage of time, which in turn could affect the quality of the audit.

Recommendation: We recommend that the official accounting records be closed timely (within 2 months after year-end).

Response: We concur. We are making efforts to bring all accounting records to current to prevent this issue in the future.

2022-004 – Insufficient Cash Disbursement Support

Condition: During disbursement testing, we noted 5/65 cash disbursements that were not supported by an invoice, 5/65 where a purchase order was not issued, and 29/65 were not legibly approved.

Cause: Management failed to ensure that each cash disbursement was supported by an invoice, was issued a purchase order, and was legibly approved.

Criteria: The Kentucky Cities Financial Manual requires written authorization for all expenditures from public funds. Per City statute, purchase orders must be issued for all disbursements.

Effect: The potential for fraud / misappropriation of funds exists when there is no invoice or legible approval on any given cash disbursement.

Recommendation: We recommend that each cash disbursement has an invoice, is issued a purchase order, and is legibly approved.

Response: We concur. We will ensure in the future that each cash disbursement has an invoice, is issued a purchase order, and is legibly approved.