

CITY OF FULTON, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2019

**CITY OF FULTON, KENTUCKY
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FINANCIAL SECTION



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fulton, Kentucky, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fulton, Kentucky, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the schedules related to pensions and other postemployment benefits on pages 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fulton's basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules, Schedule of State Assistance, and 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 financial statements.

The Combining and Individual Nonmajor Fund Statements and Schedules, Schedule of State Assistance, and Schedule of Debt Service Requirements to Maturity by Individual Issue are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Statements and Schedules, Schedule of State Assistance, and 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2019, on our consideration of the City of Fulton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the

effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fulton's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

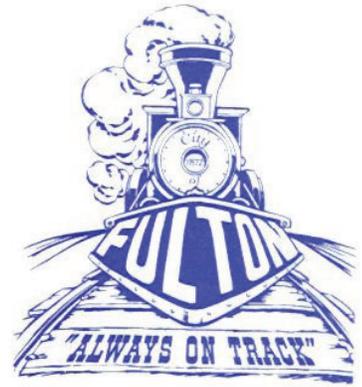
Martin, Tennessee
November 6, 2019

City of Fulton

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fulton, Kentucky, we offer readers of the City of Fulton's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of this year by \$5.6 million (*net position*). This represents a decrease of \$654 thousand from the prior year. This decrease was due to a \$445 thousand net loss from current year operations and a \$209 thousand adjustment charged directly to net position for a prior period correction to payroll taxes receivable. Of the total net position, \$6.7 million represents the City's investment in capital assets, net of related debt, and \$851 thousand is restricted, resulting in negative unrestricted net position of \$1.9 million as of June 30, 2019.
- As of the close of the current fiscal year, the City's general fund reported an ending fund balance of \$1.5 million, which includes an increase of \$167 thousand from current year operations in comparison with the prior year. Of the total fund balance, \$949 thousand is available for spending at the City's discretion (*unassigned fund balance*). The Board assigned \$15,000 of the General fund balance for equipment depreciation.
- The City's governmental activities had a net decrease of \$120 thousand, and business-type activities had a net decrease of \$325 thousand, for a total decrease of \$445 thousand from operations for the current fiscal year.

In the last twelve months, through the work of department heads, staff meetings and monthly budget review with the Department heads, we identified many ways to increase efficiencies and decrease costs. Changes made in the way we do business this year are:

- Finalized a new utility billing system and the automated read water and gas meter project.
- Finalized the lagoon upgrade project with Harshaw Trane, which will enhance the operation of the WWTP. This is part of the energy savings contract that was signed with Harshaw Trane in 2016.
- Purchased a new sewer camera for the sewer system to better improve their efficiency in diagnosing sewer issues without having to dig up sidewalks or streets.
- Put into place a seasonal worker to supervise an additional inmate crew to lessen the workload of technical crews mowing grass.
- Demolished or caused to be demolished 9 damaged or blighted structures.

- Placed liens on multiple properties regarding absentee owners neglecting to maintain their properties or pay taxes.
- Expanded Code Enforcement efforts to include inoperative motor vehicles.
- Expanded Code Enforcement to develop a goal of “3 in 90” meaning to have 3 blighted condemned houses demolished every 90 days.
- Completed phase III of the sidewalk hazard removal plan.
- City Parks Improvement plan was started with passing of the ordinance reforming the Parks Board, establishing regular meetings, securing funding from tourism to hire an architect and get a master plan created for the parks system throughout the City.
- The Police Department graduated 2 certified officers this year, began a fleet rotation program, and began using the ATT First Net communications to better improve their communications and interoperability.
- Police Department transitioned to 12-hour shifts this year to better balance officers’ home and work life and improve morale.
- Fire Department remained committed to recruitment and training of its paid on-call staff. It also retired the debt of the fire engine this year.
- Continued to work with Economic Development on several projects; worked to develop a plan for recruitment of business to grow the economy and create jobs.
- Continued to review, correct, and update City ordinances.
- Continued to implement systems to maintain consistency and proficiency in day-to-day operations of the City.
- Were able to sell the buildings on Commercial Avenue through an economic development project to The Meadows Hotel for a multi room and kitchen expansion project.

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’s basic financial statements are comprised of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

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’s assets, liabilities, and deferred inflows/outflows of resources with the difference 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 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, compensated absences, etc.).

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). Most of the City's basic services are included in governmental activities, such as police, fire, public works, highways and streets, parks, cemeteries and general administration. Property taxes, payroll taxes, and state and federal grants finance most of these activities. The business-type activities are those for which the City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system and natural gas system are included here.

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. Funds of the City are categorized as either governmental funds, proprietary funds, or fiduciary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City of Fulton's near-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 13 to 22 of this report.

Information is presented separately in the Balance Sheet – Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds for the General Fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary funds – The City of Fulton uses one type of proprietary fund, known as an enterprise fund, to account for its utility operations. Enterprise funds are used to report the same functions that are presented as business-type activities in the government-wide financial statements.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 23 to 25 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City of Fulton's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains two different types of fiduciary funds. The Cemetery Trust Fund is a private-purpose trust used to report resources held in trust for maintenance of the cemetery. The Agency funds report resources held by the City in a custodial capacity. The fiduciary fund financial statements can be found on pages 26 and 27 of this report.

Notes to the Financial Statements

The notes provide additional information that 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 on pages 28 to 42 of this report.

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 inflows of resources by \$5.6 million at the close of the most recent fiscal year. The largest portion of the City’s net position reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less 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.

An additional portion of the City of Fulton’s net position (15%) represents resources that are subject to external restriction on how they may be used. The remaining balance of net position representing unrestricted net position is used to meet the City’s ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Fulton reported a negative balance in the unrestricted category of net position due to the large increase in capital assets and increases in long-term liabilities related to pension and other postemployment benefit liabilities.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,171,909	\$ 2,202,191	\$ 995,287	\$ 1,491,711	\$ 3,167,196	\$ 3,693,902
Capital assets	3,087,421	3,207,717	11,004,962	10,954,487	14,092,383	14,162,204
Total assets	<u>5,259,330</u>	<u>5,409,908</u>	<u>12,000,249</u>	<u>12,446,198</u>	<u>17,259,579</u>	<u>17,856,106</u>
Deferred outflows of resources	440,036	592,590	436,881	553,807	876,917	1,146,397
Long-term liabilities	2,685,167	2,815,600	8,724,364	8,921,528	11,409,531	11,737,128
Other liabilities	102,806	71,277	399,745	529,952	502,551	601,229
Total liabilities	<u>2,787,973</u>	<u>2,886,877</u>	<u>9,124,109</u>	<u>9,451,480</u>	<u>11,912,082</u>	<u>12,338,357</u>
Deferred inflows of resources	439,490	315,000	156,374	66,790	595,864	381,790
Net investment in capital assets	2,458,385	2,524,952	4,244,238	3,981,492	6,702,623	6,506,444
Restricted net position	822,735	781,775	28,000	261,843	850,735	1,043,618
Unrestricted net position	<u>(809,217)</u>	<u>(506,106)</u>	<u>(1,115,591)</u>	<u>(761,600)</u>	<u>(1,924,808)</u>	<u>(1,267,706)</u>
Total net position	<u>\$ 2,471,903</u>	<u>\$ 2,800,621</u>	<u>\$ 3,156,647</u>	<u>\$ 3,481,735</u>	<u>\$ 5,628,550</u>	<u>\$ 6,282,356</u>

Statement of Activities – Expenditures from governmental activities exceeded revenues by \$120 thousand during the current year. The main difference in revenue from the prior year was the increase

in charges for services of \$61,349 or 136%, mainly due to the new city sticker revenue. Expenditures decreased by \$105 thousand, with the largest decreases in General Government and Public Safety due to decreased administrative and fire salaries and related expenses and the end of Fire Department loan payments. Expenditures in highways and streets increased by \$104 thousand, mainly due to professional/technical services in the Municipal Aid Fund due to the City's paving project.

In the business-type activities, expenses exceeded revenues by \$325 thousand, which was the same as the prior year. Service revenues decreased by 2% and expenditures decreased by 1.5% from the prior year. Increases in personnel and utility costs were offset by decreases in maintenance and gas purchases.

A condensed statement of activities for the years ended June 30, 2019 and 2018, is presented below.

CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program revenues						
Charges for services	\$ 106,481	\$ 45,132	\$ 2,244,612	\$ 2,293,952	\$ 2,351,093	\$ 2,339,084
Operating grants/contributions	117,539	105,662	-	-	117,539	105,662
Capital grants/contributions	-	-	-	-	-	-
	<u>224,020</u>	<u>150,794</u>	<u>2,244,612</u>	<u>2,293,952</u>	<u>2,468,632</u>	<u>2,444,746</u>
Expenses						
General government	193,964	301,924	-	-	193,964	301,924
Public safety	1,453,584	1,567,935	-	-	1,453,584	1,567,935
Public works - general	63,367	68,297	-	-	63,367	68,297
Highways and streets	183,317	79,311	-	-	183,317	79,311
Parks and cemeteries	98,230	89,714	-	-	98,230	89,714
Utilities	-	-	2,405,670	2,442,855	2,405,670	2,442,855
Non-departmental	146,118	136,260	-	-	146,118	136,260
Total expenses	<u>2,138,580</u>	<u>2,243,441</u>	<u>2,405,670</u>	<u>2,442,855</u>	<u>4,544,250</u>	<u>4,686,296</u>
Net program revenue (expense)	(1,914,560)	(2,092,647)	(161,058)	(148,903)	(2,075,618)	(2,241,550)
General revenues						
Taxes	1,442,274	1,506,318	-	-	1,442,274	1,506,318
Other	176,438	172,129	11,705	8,881	188,143	181,010
Transfers	175,735	184,435	(175,735)	(184,435)	-	-
Change in net assets	<u>(120,113)</u>	<u>(229,765)</u>	<u>(325,088)</u>	<u>(324,457)</u>	<u>(445,201)</u>	<u>(554,222)</u>
Beginning net assets	2,800,621	3,425,683	3,481,735	4,298,724	6,282,356	7,724,407
Prior period adjustments	(208,605)	(395,297)	-	(492,532)	(208,605)	(887,829)
Beginning net assets as restated	<u>2,592,016</u>	<u>3,030,386</u>	<u>3,481,735</u>	<u>3,806,192</u>	<u>6,073,751</u>	<u>6,836,578</u>
Ending net assets	<u>\$ 2,471,903</u>	<u>\$ 2,800,621</u>	<u>\$ 3,156,647</u>	<u>\$ 3,481,735</u>	<u>\$ 5,628,550</u>	<u>\$ 6,282,356</u>

COMMENTS ON FUND FINANCIAL STATEMENTS

Governmental funds – The focus of the City'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's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund accounts for 97% of governmental fund revenues. Accordingly, this discussion will focus on the General Fund. General fund balance was \$1.5 million at the end of the current fiscal year. Of that balance, almost \$1 million is available to meet the day-to-day needs of the City.

Revenues in the General Fund were approximately \$9 thousand more than last year due mainly to increased property taxes and Alcoholic Beverage Control fees. In total, General Fund expenditures increased by \$34 thousand, mainly in Code Compliance expenditures. Increases in police expenditures were offset by decreased fire expenditures.

Proprietary funds – Unrestricted net position in the proprietary fund at the end of the year was a deficit of \$1.1 million compared to \$0.8 million in the prior year due to the \$325 thousand loss from utility operations during the current year. The City’s utility department operated at a profit of approximately \$12 thousand before interest on the new bond issue of \$161 thousand, and the in-lieu-of-tax transfer to the General Fund of \$176 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues were \$16 thousand more than budgeted amounts. This was mainly attributable to property tax collections and miscellaneous revenue received. Total expenditures were \$72 thousand less than budgeted amounts, which was spread across the majority of the departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2019, the City had invested approximately \$14.1 million, net of accumulated depreciation, in a variety of capital assets, which was the same as the prior year amount. Capital asset purchases were offset by current year depreciation. Additional information on the City’s capital assets can be found in Note 3C beginning on page 33 of this report.

Long-term debt – At the end of the current fiscal year, the City of Fulton had bonds payable of \$6.4 million and a loan with Kentucky Infrastructure Authority with a balance of \$1 million. Additional information on the City’s long-term debt can be found in Note 3D beginning on page 34 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The Adopted Budget for fiscal year end 2020 began with input from individual department heads. They each submitted a five-year capital outlay, next fiscal year budget needs, ways to reduce spending by 1% and ways to increase revenue by 1%. In working with the City Financial Officer looking for pitfalls in the budget, past trending of expenditures, and examination of numerous expenditures, we were able to formulate a plan to balance the budget. This included the implementation of the City Vehicle Sticker Fee of \$25 per vehicle, an insurance premiums tax of 3% across the board, and a 24% water and sewer rate increase. The budget was presented on May 28, 2019, and was completed with the budget adoption on June 24, 2019.

The budget also contains cost savings measures designed to keep the City whole during this period of economic recovery and includes expenditures for capital improvements.

Some of the FYE 2020 goals and priorities include, in no particular order:

1. Begin a cross training and recruitment program to accommodate the large number of retirees that are coming in the next 5 years in key positions throughout the City.
2. Develop a plan to incentivize commercial and residential property development.
3. Develop a plan to cut energy cost throughout the City.

4. Develop a retail and tourism strategy for the City.
5. Take an active role on the State and Federal level to complete the I-69 project.
6. Update the City's Comprehensive Plan.
7. Develop a master plan for the City by using input from the public and business leaders.
8. Foster a discussion of cooperation between local governments and the two school systems to encourage economic growth while enhancing student education and workforce readiness in Fulton County.
9. Beautify and enhance the entryways to the City, making them more inviting.
10. Upgrading of City parks by focusing on safety and making them more of a place for all citizens to enjoy and a draw to pull visitors to the city.
11. Enhance code enforcement efforts to eliminate blighted and abandoned properties, while working to decrease the mowing of vacant properties that are not owned by the City and hold the property owners accountable to the Property Maintenance Code.
12. Implement practices, policies and procedures to become more consistent and efficient in our spending.
13. Analyze budget monthly and ensure that we are operating fiscally responsible and redirecting spending to be more efficient.
14. Redefine the City boundaries and zoning areas.
15. Develop a capital project list and plan for needed future expenditures.
16. Continue to develop fleet and equipment rotational policies aligned with funding to make capital purchase needs going forward more manageable.
17. Explore additional means of becoming a more energy efficient City
18. Begin the work to achieve the status of an "Ethics Certified" City by Kentucky League of Cities.
19. Evaluate and prepare a plan to upgrade sidewalks, streets, and water drainage throughout the City.

The City Utility Fund will require some attention going forward over the next two budget cycles to balance expenses and revenues. We have increased water and sewer rates to stabilize the cash flow in the utility fund for this year. Next budget year we will transfer some of the duplicate charge for personnel cost back to the general fund that will improve the utility funds cash flow. Our local economy continues to recover; the City has seen several new retail shops and restaurants locate here. We have also had one existing industry to expand their current workforce. One new commercial business has taken residence in the old hospital repurposing it to a substance abuse recovery facility. This will prove beneficial to the city as well as the region.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Fulton's finances for citizens, taxpayers, customers, investors, creditors, and all others with an interest in the City of Fulton's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Fulton, P.O. Box 1350, Fulton, TN 42041.

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 1,409,219	\$ 683,960	\$ 2,093,179
Taxes receivable, net of allowance	282,021	-	282,021
Accounts receivable, net of allowance	-	241,175	241,175
Other taxes receivable	2,687	-	2,687
Internal balances	(13,175)	13,175	-
Due from fiduciary funds	-	2,725	2,725
Inventory	-	26,252	26,252
Restricted assets:			
Cash and cash equivalents	491,157	28,000	519,157
Capital assets not being depreciated			
Land and improvements	269,920	-	269,920
Capital assets, net of accumulated depreciation			
Buildings	1,638,605	-	1,638,605
Vehicles and equipment	1,178,896	-	1,178,896
Utility plant in service	-	11,004,962	11,004,962
Total assets	<u>5,259,330</u>	<u>12,000,249</u>	<u>17,259,579</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	312,494	310,782	623,276
Deferred outflows related to other postemployment benefits	<u>127,542</u>	<u>126,099</u>	<u>253,641</u>
Total deferred outflows of resources	<u>440,036</u>	<u>436,881</u>	<u>876,917</u>
Liabilities			
Accounts payable	60,262	201,373	261,635
Payroll-related liabilities	5,702	-	5,702
Other accrued liabilities	-	9,337	9,337
Due to fiduciary funds	16,080	-	16,080
Customer deposits	11,348	189,035	200,383
Unearned revenue - grants	9,414	-	9,414
Noncurrent liabilities:			
Net pension liability	1,522,514	1,514,173	3,036,687
Net other postemployment benefits liability	444,381	440,856	885,237
Long-term liabilities due within one year	13,648	221,622	235,270
Long-term liabilities due in more than one year	<u>704,624</u>	<u>6,547,713</u>	<u>7,252,337</u>
Total liabilities	<u>2,787,973</u>	<u>9,124,109</u>	<u>11,912,082</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	282,021	-	282,021
Deferred inflows related to pensions	62,723	62,379	125,102
Deferred inflows related to other postemployment benefits	<u>94,746</u>	<u>93,995</u>	<u>188,741</u>
Total deferred inflows	<u>439,490</u>	<u>156,374</u>	<u>595,864</u>
Net Position			
Net investment in capital assets	2,458,385	4,244,238	6,702,623
Restricted	822,735	28,000	850,735
Unrestricted	<u>(809,217)</u>	<u>(1,115,591)</u>	<u>(1,924,808)</u>
Total net position	<u>\$ 2,471,903</u>	<u>\$ 3,156,647</u>	<u>\$ 5,628,550</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, 2019

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 193,964	\$ -	\$ -	\$ (193,964)	\$ -	\$ (193,964)
Public safety	1,453,584	67,570	-	(1,363,629)	-	(1,363,629)
Public works - general	63,367	-	-	(63,196)	-	(63,196)
Highways and streets	183,317	49,969	-	(76,823)	-	(76,823)
Parks and cemeteries	98,230	-	-	(70,830)	-	(70,830)
Non-departmental	124,698	-	-	(124,698)	-	(124,698)
Debt service expenses	21,420	-	-	(21,420)	-	(21,420)
Total governmental activities	2,138,580	117,539	-	(1,914,560)	-	(1,914,560)
Business-type activities:						
Public utilities	2,405,670	-	-	-	(161,058)	(161,058)
Total	\$ 4,544,250	\$ 117,539	\$ -	(1,914,560)	(161,058)	(2,075,618)
General revenues:						
Property taxes	354,809			354,809	-	354,809
Franchise taxes	18,438			18,438	-	18,438
Alcoholic beverage control regulatory fees	343,237			343,237	-	343,237
Payroll taxes	692,640			692,640	-	692,640
Business and other licenses	33,150			33,150	-	33,150
Interest	23,868			23,868	11,705	35,573
Miscellaneous	152,570			152,570	-	152,570
Transfers	175,735			175,735	(175,735)	-
Total general revenues and transfers	1,794,447			1,794,447	(164,030)	1,630,417
Change in net position	(120,113)			(120,113)	(325,088)	(445,201)
Net position - beginning	2,800,621			2,800,621	3,481,735	6,282,356
Prior period adjustments	(208,605)			(208,605)	-	(208,605)
Net position - beginning, as restated	2,592,016			2,592,016	3,481,735	6,073,751
Net position - ending	\$ 2,471,903			\$ 2,471,903	\$ 3,156,647	\$ 5,628,550

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

CITY OF FULTON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 1,068,227	\$ 340,992	\$ 1,409,219
Property taxes receivable, net	282,021	-	282,021
Other taxes receivable	2,687	-	2,687
Restricted cash	491,157	-	491,157
Total assets	<u>\$1,844,092</u>	<u>\$ 340,992</u>	<u>\$ 2,185,084</u>
Liabilities			
Accounts payable	\$ 60,262	\$ -	\$ 60,262
Payroll-related liabilities	5,702	-	5,702
Due to utility fund	13,175	-	13,175
Due to fiduciary funds	16,080	-	16,080
Unearned revenue	-	9,414	9,414
Customer deposits	11,348	-	11,348
Total liabilities	<u>106,567</u>	<u>9,414</u>	<u>115,981</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	<u>282,021</u>	<u>-</u>	<u>282,021</u>
Fund Balances			
Restricted	491,157	331,578	822,735
Assigned	15,000	-	15,000
Unassigned	<u>949,347</u>	<u>-</u>	<u>949,347</u>
Total fund balances	<u>1,455,504</u>	<u>331,578</u>	<u>1,787,082</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,844,092</u>	<u>\$ 340,992</u>	<u>\$ 2,185,084</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, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds	\$ 1,787,082
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,087,421
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Deferred inflows/outflows of resources related to long-term pension and OPEB liabilities are not recognized as inflows or outflows of resources until a future period and, therefore, are not reported in the fund financial statements.

Bonds payable	629,036	
Compensated absences	89,236	
Net pension liability	1,522,514	
Net other postemployment benefit liability	444,381	
Deferred inflows	157,469	
Deferred outflows	<u>(440,036)</u>	
Total		<u>(2,402,600)</u>

Net position of governmental activities	\$ <u>2,471,903</u>
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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

For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local taxes	\$ 1,409,124	\$ -	\$ 1,409,124
Intergovernmental revenue	97,638	49,969	147,607
Charges for services	84,096	-	84,096
Grant revenue	11,000	-	11,000
Fines, forfeitures and penalties	14,467	-	14,467
Interest	19,081	4,787	23,868
Other revenues	149,570	3,000	152,570
Total revenues	<u>1,784,976</u>	<u>57,756</u>	<u>1,842,732</u>
Expenditures			
Current:			
General government	142,841	-	142,841
Public safety	1,244,623	-	1,244,623
Public works - general	27,574	-	27,574
Highways and streets	58,883	116,642	175,525
Parks and cemeteries	74,196	-	74,196
Non-departmental	124,698	-	124,698
Debt service:			
Principal	53,839	-	53,839
Interest	17,857	-	17,857
Bond fees	3,848	-	3,848
Capital outlay:			
Public safety	34,500	-	34,500
Public works - general	10,702	-	10,702
Total expenditures	<u>1,793,561</u>	<u>116,642</u>	<u>1,910,203</u>
Revenues over (under) expenditures	(8,585)	(58,886)	(67,471)
Other financing sources (uses)			
Transfers in	<u>175,735</u>	<u>-</u>	<u>175,735</u>
Net change in fund balances	<u>167,150</u>	<u>(58,886)</u>	<u>108,264</u>
Fund balances - July 1, 2018	1,496,959	390,464	1,887,423
Prior period adjustments	(208,605)	-	(208,605)
Fund balances - July 1, 2018, as restated	<u>1,288,354</u>	<u>390,464</u>	<u>1,678,818</u>
Fund balances - June 30, 2019	<u>\$ 1,455,504</u>	<u>\$ 331,578</u>	<u>\$ 1,787,082</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, 2019

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

Net change in fund balances of governmental funds	\$ 108,264
<p>Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlay expenditures	45,202
Depreciation expense	<u>(165,498)</u>
Net effect	(120,296)
<p>Pension and OPEB contributions are reported as expenditures in the governmental funds. However, pension and OPEB expense in the statement of activities is primarily the result of changes in the net pension and OPEB liabilities over the current and future periods.</p>	
Contributions made	128,255
Pension and OPEB expense	<u>(256,676)</u>
Net effect	(128,421)
<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.</p>	
Payments on bond principal	53,839
<p>Governmental funds report the effect of premiums and discounts on debt when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the bond discount amortization for this year.</p>	
	(110)
<p>Expenses reported in the statement of activities for accrued compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
	<u>(33,389)</u>
Change in net position of governmental activities	<u>\$ (120,113)</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Revenues				
Local taxes				
Property taxes	\$ 342,000	\$ 310,783	\$ 325,846	\$ 15,063
Interest and penalties	2,700	4,000	3,897	(103)
Payments in lieu of tax	23,000	25,066	25,066	-
Franchise taxes	18,000	18,411	18,438	27
Alcoholic beverage control regulatory fee	350,000	350,000	343,237	(6,763)
Payroll taxes	<u>670,000</u>	<u>700,000</u>	<u>692,640</u>	<u>(7,360)</u>
Total local taxes	<u>1,405,700</u>	<u>1,408,260</u>	<u>1,409,124</u>	<u>864</u>
Intergovernmental revenues				
Business licenses	33,000	27,000	25,950	(1,050)
Alcoholic beverage control licenses	7,300	7,200	7,200	-
County court fees	3,100	5,700	6,284	584
Fire department revenue	2,000	750	748	(2)
State grant funds	11,000	11,000	11,000	-
State incentive revenue	40,000	44,000	46,410	2,410
Law enforcement fees	9,500	7,473	9,412	1,939
Code enforcement revenue	<u>8,500</u>	<u>1,486</u>	<u>1,634</u>	<u>148</u>
Total intergovernmental revenues	<u>114,400</u>	<u>104,609</u>	<u>108,638</u>	<u>4,029</u>
Charges for services				
Rent	10,000	11,533	11,315	(218)
Building permits	500	145	171	26
City stickers	97,500	54,000	56,525	2,525
Cemetery lots	4,500	4,500	4,775	275
Cemetery openings and upkeep	<u>11,500</u>	<u>34,576</u>	<u>11,310</u>	<u>(23,266)</u>
Total charges for services	<u>124,000</u>	<u>104,754</u>	<u>84,096</u>	<u>(20,658)</u>
Fines, forfeitures and penalties				
Parking violations	-	45	45	-
Base court revenue	<u>5,500</u>	<u>14,302</u>	<u>14,422</u>	<u>120</u>
Total fines, forfeitures and penalties	<u>5,500</u>	<u>14,347</u>	<u>14,467</u>	<u>120</u>
Other revenues				
Sale of property	5,000	68,836	68,836	-
Interest income	11,000	16,000	19,081	3,081
Damage awards	-	50,172	50,172	-
Miscellaneous income	<u>2,000</u>	<u>1,835</u>	<u>30,562</u>	<u>28,727</u>
Total other revenues	<u>18,000</u>	<u>136,843</u>	<u>168,651</u>	<u>31,808</u>
Total revenues	<u>1,667,600</u>	<u>1,768,813</u>	<u>1,784,976</u>	<u>16,163</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Expenditures				
Administrative				
Salaries	94,168	97,000	94,328	(2,672)
Retirement/pension	14,376	15,000	14,607	(393)
Hospitalization	14,800	13,850	12,686	(1,164)
Life/dental	190	172	161	(11)
Social security	6,102	5,800	5,664	(136)
Other benefits	125	1	1	-
Unemployment	22	28	27	(1)
Office supplies	900	900	893	(7)
Technical supplies	500	500	457	(43)
Dues and subscriptions	500	500	509	9
Motor fuel/oil	2,000	1,753	1,827	74
Telephone	1,000	1,060	1,151	91
Advertising/printing	2,000	4,897	4,357	(540)
Travel	2,000	2,579	1,934	(645)
Professional/technical services	500	547	529	(18)
Training	1,250	1,351	1,013	(338)
Miscellaneous	750	200	-	(200)
Duplicate charges	(64,892)	(65,926)	(64,385)	1,541
Total administrative	<u>76,291</u>	<u>80,212</u>	<u>75,759</u>	<u>(4,453)</u>
Finance Department				
Salaries	167,267	173,000	173,101	101
Overtime/help	1,620	3,500	2,988	(512)
Retirement/pension	36,277	38,000	36,174	(1,826)
Hospitalization	36,235	33,000	29,917	(3,083)
Life/dental insurance	760	840	707	(133)
Social security	11,816	12,300	12,102	(198)
Unemployment	56	56	58	2
Other benefits	1,300	1,175	1,121	(54)
Maintenance - fixtures	1,200	2,500	2,201	(299)
Utilities	8,000	8,200	8,752	552
Technical supplies	600	1,252	1,021	(231)
Office supplies	900	1,459	1,171	(288)
Cleaning supplies	500	763	639	(124)
Dues/subscriptions	150	107	100	(7)
Postage	1,500	1,150	1,150	-
Telephone	900	1,070	1,151	81
Travel	800	1,393	1,045	(348)
Professional/technical services	400	250	106	(144)
Training/registration	800	840	630	(210)
Miscellaneous	200	200	-	(200)
Duplicate charges	(204,265)	(209,497)	(207,052)	2,445
Total finance department	<u>67,016</u>	<u>71,558</u>	<u>67,082</u>	<u>(4,476)</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Code Compliance				
Salaries	29,222	33,000	32,884	(116)
Retirement/pension	6,277	7,200	7,063	(137)
Unemployment	10	11	11	-
Health/vision	2,335	8,100	7,283	(817)
Life/dental	190	190	145	(45)
Social security	2,124	2,500	2,353	(147)
Other benefits	250	93	70	(23)
Clothing	500	427	320	(107)
Maintenance - vehicles/equipment	1,000	200	60	(140)
Office supplies	1,500	636	535	(101)
Technical supplies	3,000	1,320	990	(330)
Dues and subscriptions	3,500	180	160	(20)
Motor fuel/oil	500	500	521	21
Postage	1,000	400	300	(100)
Telephone	350	-	-	-
Advertising/printing	250	1,019	1,004	(15)
Travel	4,200	-	-	-
Professional/technical services	6,000	8,817	7,117	(1,700)
Training	3,000	450	380	(70)
Code enforcement	31,000	33,000	29,676	(3,324)
Miscellaneous	250	95	84	(11)
Total code compliance	<u>96,458</u>	<u>98,138</u>	<u>90,956</u>	<u>(7,182)</u>
Police Department				
Salaries	363,491	363,000	350,395	(12,605)
Overtime/help	65,000	44,120	39,401	(4,719)
Retirement/pension	99,773	92,900	89,002	(3,898)
Unemployment	152	139	139	-
Hospitalization	87,510	91,483	82,461	(9,022)
Life/dental insurance	1,853	1,772	1,628	(144)
Social security	33,935	31,400	30,041	(1,359)
Workers' compensation	27,000	28,000	28,000	-
Clothing	3,500	4,161	4,161	-
Incentive	36,000	36,000	30,689	(5,311)
Other benefits	700	500	495	(5)
Maintenance - fixtures	2,000	2,000	1,502	(498)
Maintenance - vehicles/equipment	15,000	19,000	23,366	4,366
Utilities	8,000	6,200	6,364	164
Alcoholic beverage control expenses	2,500	15,000	11,508	(3,492)
Technical supplies	7,500	9,000	8,588	(412)
Office supplies	4,000	5,000	4,828	(172)
Cleaning supplies	1,000	500	453	(47)
Dues and subscriptions	600	200	136	(64)
Motor fuel/oil	24,000	30,000	29,740	(260)
Postage	600	350	322	(28)
Telephone	7,000	7,400	7,524	124
Advertising/printing	500	500	630	130
Travel	6,000	6,000	5,022	(978)

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Insurance	31,000	32,281	32,281	-
Professional/technical services	500	600	425	(175)
Training	800	456	342	(114)
Program implements	600	400	431	31
Animal control	3,200	2,500	1,793	(707)
Dispatch expense	30,000	30,000	30,000	-
Drug fund expenditures	7,000	6,665	12,763	6,098
Miscellaneous	1,000	25,500	45,935	20,435
Capital expenditures	43,000	51,040	51,040	-
Total Police Department	<u>914,714</u>	<u>944,067</u>	<u>931,405</u>	<u>(12,662)</u>
Fire Department				
Salaries	58,527	58,000	57,044	(956)
Retirement/pension	13,431	13,000	12,862	(138)
Unemployment	21	19	20	1
Hospitalization	13,075	13,000	11,576	(1,424)
Life/dental insurance	237	260	221	(39)
Social security	4,389	4,270	4,219	(51)
Workers' compensation	5,000	5,000	5,000	-
Clothing	1,200	1,069	1,765	696
Incentive	4,000	4,000	3,667	(333)
Other benefits	4,250	600	344	(256)
Maintenance - fixtures	2,000	1,500	1,028	(472)
Maintenance - vehicles/equipment	15,000	12,000	7,992	(4,008)
Utilities	7,100	6,100	6,364	264
State Aid expense	11,000	12,279	12,279	-
Volunteer fire expenditures	50,000	50,000	50,000	-
Fire prevention	1,200	1,969	1,477	(492)
Technical supplies	18,000	15,000	7,987	(7,013)
Office supplies	3,000	2,500	1,810	(690)
Cleaning supplies	775	843	791	(52)
Dues and subscriptions	1,500	1,900	1,848	(52)
Motor fuel/oil	3,000	2,700	2,699	(1)
Grant expense	2,000	-	-	-
Postage	350	350	4	(346)
Telephone	2,200	2,300	2,425	125
Advertising/printing	350	203	239	36
Travel	3,500	984	843	(141)
Insurance	19,600	19,600	19,600	-
Professional/technical services	10,000	6,500	6,353	(147)
Training	4,000	1,000	682	(318)
Dispatch expense	10,000	10,000	9,167	(833)
Fire truck loan payments	42,500	42,208	42,208	-
Miscellaneous	200	26,456	26,456	-
Capital expenditures	11,000	11,000	-	(11,000)
Total Fire Department	<u>322,405</u>	<u>326,610</u>	<u>298,970</u>	<u>(27,640)</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Public Works Department				
Salaries	436,547	438,000	431,053	(6,947)
Overtime/help	25,000	29,000	25,150	(3,850)
Retirement/pension	99,140	97,300	95,784	(1,516)
Unemployment	152	151	152	1
Hospitalization	80,360	78,000	72,100	(5,900)
Life/dental insurance	2,280	2,500	2,007	(493)
Social security	32,331	34,900	33,918	(982)
Workers' compensation	38,000	39,100	39,100	-
Clothing	6,300	8,500	7,130	(1,370)
Other benefits	1,050	575	695	120
Duplicate charges	<u>(685,102)</u>	<u>(691,624)</u>	<u>(679,515)</u>	<u>12,109</u>
Total Public Works	<u>36,058</u>	<u>36,402</u>	<u>27,574</u>	<u>(8,828)</u>
Street Department				
Maintenance - buildings/grounds	1,000	500	226	(274)
Maintenance - fixtures	1,500	500	137	(363)
Maintenance - vehicles/equipment	20,000	7,949	6,914	(1,035)
Utilities	20,000	18,000	18,542	542
Technical supplies	4,000	3,433	5,150	1,717
Office supplies	500	-	-	-
Motor fuel/oil	10,000	10,000	9,949	(51)
Insurance	2,455	2,455	2,455	-
Professional/technical services	1,500	1,851	1,388	(463)
Street markers	1,500	537	403	(134)
Miscellaneous	500	536	402	(134)
Capital expenditures	<u>-</u>	<u>13,317</u>	<u>13,317</u>	<u>-</u>
Total Street Department	<u>62,955</u>	<u>59,078</u>	<u>58,883</u>	<u>(195)</u>
Parks and Cemeteries Department				
Maintenance - buildings/grounds	5,000	7,500	8,331	831
Maintenance - fixtures	1,500	1,600	2,041	441
Maintenance - vehicles/equipment	9,000	9,000	7,865	(1,135)
Utilities	13,000	17,180	19,041	1,861
Grave digging expense	-	6,000	3,484	(2,516)
Technical supplies	2,500	4,280	6,190	1,910
Office supplies	250	-	-	-
Women's club expenditures	500	715	578	(137)
Community center expenditures	12,000	12,500	15,894	3,394
Motor fuel/oil	3,000	3,000	3,282	282
Equipment rental	1,000	-	-	-
Insurance	6,900	6,900	6,900	-
Professional/technical services	1,500	500	125	(375)
Miscellaneous	<u>500</u>	<u>573</u>	<u>465</u>	<u>(108)</u>
Total Parks and Cemeteries	<u>56,650</u>	<u>69,748</u>	<u>74,196</u>	<u>4,448</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Non-Departmental				
Maintenance - buildings/grounds	2,000	25,000	21,413	(3,587)
Shop expense	14,000	12,779	13,321	542
Postage	300	300	208	(92)
Delinquent property tax lawsuit expense	40,000	-	-	-
PVA - tax roll	5,300	5,000	4,702	(298)
Service contracts	21,000	15,000	13,440	(1,560)
Audit	7,000	7,850	7,850	-
General liability insurance	45,500	45,500	41,993	(3,507)
Chamber of Commerce	1,200	1,200	1,200	-
Airport	1,270	1,270	1,270	-
Library	5,000	5,000	5,000	-
Detention Center meals	18,000	16,000	15,755	(245)
Kentucky Municipal League	850	850	850	-
Purchase area development	500	500	500	-
Contingency	2,500	2,500	398	(2,102)
Economic development	7,500	7,500	7,500	-
Total Non-Departmental	<u>171,920</u>	<u>146,249</u>	<u>135,400</u>	<u>(10,849)</u>
Debt Service				
Debt payment			12,026	
Interest on debt			17,462	
Bond fees			3,848	
Total Debt Service	<u>32,000</u>	<u>33,336</u>	<u>33,336</u>	<u>-</u>
Total expenditures	<u>1,836,467</u>	<u>1,865,398</u>	<u>1,793,561</u>	<u>(71,837)</u>
Revenues over (under) expenditures	(168,867)	(96,585)	(8,585)	88,000
Other financing sources (uses)				
Transfers in - payments in lieu of tax	<u>175,735</u>	<u>175,736</u>	<u>175,735</u>	<u>(1)</u>
Net change in fund balance	<u>\$ 6,868</u>	<u>\$ 79,151</u>	<u>167,150</u>	<u>\$ 87,999</u>
Fund balance - July 1, 2018			1,496,959	
Prior period adjustment			<u>(208,605)</u>	
Fund balance - July 1, 2018, as restated			<u>1,288,354</u>	
Fund balance - June 30, 2019			<u>\$1,455,504</u>	

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

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

ASSETS

Current assets

Cash	\$ 683,960
Accounts receivable (net)	241,175
Due from expenditure revolving fund	2,725
Due from general fund	13,175
Inventory	<u>26,252</u>
Total current assets	967,287

Noncurrent assets

Restricted assets:

Cash in bond-related accounts	28,000
Capital assets, net of accumulated depreciation:	
Utility plant in service	<u>11,004,962</u>
Total assets	<u>12,000,249</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	310,782
Deferred outflows related to other postemployment benefits	<u>126,099</u>
Total deferred outflows of resources	<u>436,881</u>

LIABILITIES

Current liabilities

Accounts payable	201,373
Accrued expenses	9,337
Customer deposits	189,035
Noncurrent liabilities due within one year	<u>221,622</u>
Total current liabilities	<u>621,367</u>

Noncurrent liabilities

Accrued vacation and sick leave	8,611
Net pension liability	1,514,173
Net other postemployment benefit liability	440,856
Bonds and notes payable, net of current portion	<u>6,539,102</u>
Total noncurrent liabilities	<u>8,502,742</u>
Total liabilities	<u>9,124,109</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	62,379
Deferred inflows related to other postemployment benefits	<u>93,995</u>
Total deferred inflows of resources	<u>156,374</u>

NET POSITION

Net investment in capital assets	4,244,238
Restricted for debt service	28,000
Unrestricted	<u>(1,115,591)</u>
Total net position	<u>\$ 3,156,647</u>

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, 2019

Operating revenues	
Utility sales	\$ 2,149,023
Miscellaneous	<u>95,589</u>
Total operating revenues	2,244,612
Operating expenses	
Personnel/administrative costs	1,172,569
Maintenance	28,596
Utilities	202,182
Maintenance to system	58,911
Technical supplies	22,814
Office and cleaning supplies	12,477
Dues and subscriptions	1,121
Motor fuel and oil	25,364
Postage	10,657
Gas purchases	325,117
Equipment rental	154
Telephone	3,291
Advertising and printing	1,344
Travel and registrations	554
Insurance	39,794
Professional services	115,681
Training	1,200
Audit expense	7,500
Depreciation	182,791
Dispatch expense	20,000
Miscellaneous	<u>12,189</u>
Total operating expenses	<u>2,244,306</u>
Operating income	306
Non-operating revenue (expense)	
Interest earnings	11,705
Interest expense	<u>(161,364)</u>
Total non-operating revenue (expense)	<u>(149,659)</u>
Income (loss) before capital contributions and transfers	(149,353)
Transfer out - payment in lieu of taxes	<u>(175,735)</u>
Change in net position	(325,088)
Net position - July 1, 2018	<u>3,481,735</u>
Net position - June 30, 2019	<u><u>\$ 3,156,647</u></u>

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, 2019

Cash Flows from Operating Activities		
Cash received from customers		\$ 2,212,055
Cash payments for employees services and benefits		(950,952)
Cash payments to suppliers		<u>(1,028,732)</u>
Net cash provided by operating activities		232,371
Cash Flows from Non-Capital Financing Activities		
Interfund transfers	\$ (175,735)	
Increase in due to/from other funds	<u>(8,579)</u>	
Net cash used by non-capital financing activities		(184,314)
Cash Flows from Capital and Related Financing Activities		
Additions to utility plant	(233,266)	
Payments on principal of long-term debt	(207,842)	
Interest payments on long-term debt	<u>(165,793)</u>	
Net cash used by capital and related financing activities		(606,901)
Cash Flows from Investing Activities		
Interest received		<u>11,705</u>
Net decrease in cash		(547,139)
Cash - July 1, 2018		<u>1,259,099</u>
Cash - June 30, 2019		<u>\$ 711,960</u>

Cash is reported in the statement of net position as follows:	Cash	\$ 683,960
	Restricted cash	<u>28,000</u>
		<u>\$ 711,960</u>

Reconciliation of Cash Flows from Operating Activities		
Operating income		\$ 306
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	\$ 182,791	
Deferred outflows	116,926	
Deferred inflows	89,584	
Increase in accounts receivable	(47,990)	
Decrease in accounts payable	(139,786)	
Decrease in accrued expenses	(295)	
Increase in customer deposits	15,728	
Increase in net pension liability	70,194	
Decrease in net other postemployment benefit liability	<u>(55,087)</u>	
Total adjustments		<u>232,065</u>
Net cash provided by operating activities		<u>\$ 232,371</u>

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

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2019

	<u>Agency</u>			<u>Private Purpose Trust</u>
	<u>Tourism Fund</u>	<u>Expenditure Revolving Fund</u>	<u>Payroll Fund</u>	<u>Cemetery Trust Fund</u>
Assets				
Cash	\$ 288,613	\$ 4,217	\$ 16,184	\$ 67,316
Due from general fund	-	4,569	11,511	-
Due from payroll fund	-	1,636	-	-
Total assets	<u>288,613</u>	<u>10,422</u>	<u>27,695</u>	<u>67,316</u>
Liabilities				
Due to utility fund	-	2,725	-	-
Due to expenditure revolving fund	-	-	1,636	-
Perpetual care contributions	-	-	-	23,726
Accrued payroll and related liabilities	-	-	12,933	-
Accounts payable	<u>7,320</u>	<u>-</u>	<u>10,375</u>	<u>-</u>
Total liabilities	<u>7,320</u>	<u>2,725</u>	<u>24,944</u>	<u>23,726</u>
Net position				
Held in trust for tourism and other purposes	<u>\$ 281,293</u>	<u>\$ 7,697</u>	<u>\$ 2,751</u>	<u>\$ 43,590</u>

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

CITY OF FULTON, KENTUCKY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2019

	<u>Private Purpose Trust Cemetery Trust Fund</u>
Additions	
Interest	\$ 2,142
Deductions	<u>-</u>
Change in net position	2,142
Net position - July 1, 2018	<u>41,448</u>
Net position - June 30, 2019	<u><u>\$ 43,590</u></u>

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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fulton, Kentucky, operates under a mayor–city commission form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, public improvements, planning and zoning, 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. All fiduciary activities are reported only in the fund financial statements. 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.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 and the fiduciary 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.

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 fund:

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 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.

The City also reports fiduciary funds. The City currently has two different types of fiduciary funds. The Cemetery Trust Fund is a private-purpose trust used to report resources held in trust for maintenance of the cemetery. The Agency funds report resources held by the City in a custodial capacity.

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.

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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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).

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 will sometimes 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 will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 in the statements of financial position 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. This item is reported in both the governmental funds balance sheet and the statement of net position. 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.

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.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

- 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, 2019, the City had restricted fund balance of \$48,797 for Drug and Police Evidence Funds, \$422,242 for alcoholic beverage funds, \$20,118 for unexpended grant funds, \$135,438 for the Ambulance Fund, and \$196,140 for municipal aid funds. The Board assigned \$15,000 in the General Fund for equipment replacement in its budget ordinance.

In the Utility Fund, restricted net position of \$28,000 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.

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, 2019, all bank deposits were 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, 2019. The allowance for uncollectible property taxes was \$27,702 at June 30, 2019.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

C. Capital Assets

Governmental capital asset activity for the year ended June 30, 2019, is shown below.

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, not being depreciated				
Land	\$ 269,920	\$ -	\$ -	\$ 269,920
Construction in process	<u>629,455</u>	<u>-</u>	<u>629,455</u>	<u>-</u>
Total capital assets not being depreciated	<u>899,375</u>	<u>-</u>	<u>629,455</u>	<u>269,920</u>
Capital assets, being depreciated				
Buildings	3,844,415	-	-	3,844,415
Vehicles and equipment	<u>4,672,142</u>	<u>674,657</u>	<u>-</u>	<u>5,346,799</u>
Total capital assets being depreciated	8,516,557	674,657	-	9,191,214
Less accumulated depreciation for:				
Buildings	2,141,140	64,670	-	2,205,810
Vehicles and equipment	<u>4,067,075</u>	<u>100,828</u>	<u>-</u>	<u>4,167,903</u>
Total accumulated depreciation	<u>6,208,215</u>	<u>165,498</u>	<u>-</u>	<u>6,373,713</u>
Net capital assets being depreciated	<u>2,308,342</u>	<u>509,159</u>	<u>-</u>	<u>2,817,501</u>
Governmental activities capital assets, net	<u>\$ 3,207,717</u>	<u>\$ 509,159</u>	<u>\$ 629,455</u>	<u>\$ 3,087,421</u>

Depreciation expense was charged to governmental functions as follows:

General	\$ 28,560
Public safety	88,054
Public works	17,058
Highways and streets	7,792
Parks and cemeteries	<u>24,034</u>
Total - governmental activities	<u>\$ 165,498</u>

Business-type capital asset activity for the year ended June 30, 2019, is summarized below:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets, not being depreciated				
Construction in process	\$ 5,091,250	\$ 101,028	\$ 5,192,278	-
Capital assets, being depreciated				
Utility plant in operation	11,321,829	5,324,516	-	16,646,345
Less accumulated depreciation	<u>5,458,592</u>	<u>182,791</u>	<u>-</u>	<u>5,641,383</u>
Utility plant in operation, net	<u>5,863,237</u>	<u>5,141,725</u>	<u>-</u>	<u>11,004,962</u>
Business-type capital assets, net	<u>\$ 10,954,487</u>	<u>\$ 5,242,753</u>	<u>\$ 5,192,278</u>	<u>\$ 11,004,962</u>

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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. Principal payments are due annually on February 1, with interest payments due semi-annually on February 1 and August 1. The balance outstanding at June 30, 2019, was \$523,000.

The premium associated with the bonds was \$79,966. This amount is being amortized over the life of the new debt and is included in bonds payable in the statements of net position. Amortization for the year ended June 30, 2019, 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, 2019, was \$1,006,298. 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, 2019, was \$5,835,000. The lease payments are being paid 89.19% from the Water Fund and 10.81% from the General Fund.

The City borrowed \$298,997 on February 18, 2014, for the purchase of a fire truck. The note required 60 monthly payments of \$5,291 beginning March 1, 2014, and matured February 1, 2019. The interest rate was fixed at 2.4%.

The following is a summary of estimated future debt service requirements as of June 30, 2019:

Year Ending June 30,	Government Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 13,648	\$ 17,222	\$ 221,622	\$ 171,125
2021	15,494	16,949	242,265	166,101
2022	17,656	16,639	265,512	160,555
2023	19,818	16,286	283,762	154,436
2024	21,980	15,889	302,015	147,630
2025-2029	148,548	71,252	1,723,269	625,075
2030-2034	231,559	46,341	2,206,030	394,174
2035-2037	162,191	9,107	1,488,929	76,856
Totals	<u>\$ 630,894</u>	<u>\$ 209,685</u>	<u>\$ 6,733,404</u>	<u>\$ 1,895,952</u>

CITY OF FULTON, KENTUCKY
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Changes in long-term liabilities for the year ended June 30, 2019, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Note payable - fire truck	\$ 41,813	\$ -	\$ 41,813	\$ -	\$ -
KY Bond Corporation, 2016C series	642,920	-	12,026	630,894	13,648
Bond discount, net of amortization	(1,968)	-	(110)	(1,858)	n/a
Compensated absences	55,847	33,389	-	89,236	n/a
Total for governmental activities	<u>\$ 738,612</u>	<u>\$ 33,389</u>	<u>\$ 53,729</u>	<u>\$ 718,272</u>	<u>\$ 13,648</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Business-type activities:					
KRWFC bonds, 2013B series	\$ 578,000	\$ -	\$ 55,000	\$ 523,000	\$ 55,000
Bond premium being amortized	47,980	-	5,331	42,649	n/a
KIA Infrastructure loan	1,059,916	-	53,618	1,006,298	54,020
KY Bond Corporation, 2016C series	5,303,330	-	99,224	5,204,106	112,602
Bond discount being amortized	(16,231)	-	(902)	(15,329)	n/a
Compensated absences	8,611	-	-	8,611	n/a
Total for business-type activities	<u>\$ 6,981,606</u>	<u>\$ -</u>	<u>\$ 212,271</u>	<u>\$ 6,769,335</u>	<u>\$ 221,622</u>

E. Interfund Receivables, Payables, and Transfers

Various due to/due from amounts at June 30, 2019, were temporary balances regarding expenditure revolving fund transactions or payroll transfers. There was also \$13,175 due from the General Fund to the Utility Fund for interest on 2016 bonds. The transfer of \$175,735 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 the receivable for payroll tax revenue had been overstated by \$208,605 for the year ended June 30, 2018. The July 1, 2018, receivable balance was reduced by this amount, which decreased beginning fund balance in the General Fund by the same amount.

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.

CITY OF FULTON, KENTUCKY
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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 are provided at the discretion of the General Assembly. Effective July 1, 2009, COLA for retirees are set by statute at 1.5% each July 1.

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 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 2019 were adopted by the Board of KRS based on actuarially recommended rates. For the year ended June 30, 2019, the City's covered payroll was \$1,190,906. 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, 2019, was 16.22%. The City's contributions to the Plan for the year ended June 30, 2019, were \$193,165.

Pension Liabilities. At June 30, 2019, the City reported a liability of \$3,036,687 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017. 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, 2018, the City's proportion was 0.049861 percent. At June 30, 2017, the City's proportion was 0.051082 percent.

CITY OF FULTON, KENTUCKY
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June 30, 2019

Pension Expense. For the year ended June 30, 2019, the City recognized pension expense of \$508,115.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Plan investments	\$ -	\$ 36,412
Changes in assumptions	296,773	-
Differences between expected and actual experience	99,048	44,451
Changes in proportion and differences between City contributions and proportionate share of contributions	34,290	44,239
Contributions subsequent to the measurement date of June 30, 2018	193,165	<i>(not applicable)</i>
Total	\$ 623,276	\$ 125,102

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, 2019. 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 Ending June 30:	
2019	\$248,026
2020	116,337
2021	(43,056)
2022	(16,298)

Actuarial Methods and Assumptions. The total pension liability, net pension liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. There have been no changes in actuarial assumptions since June 30, 2017. 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. The total pension liability as of June 30, 2018, is determined using these updated benefit provisions. Key actuarial assumptions are as follows:

Inflation	2.30 percent
Salary increases	2.00 percent
Investment rate of return	6.25 percent

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

CITY OF FULTON, KENTUCKY
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June 30, 2019

improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long- term Expected Real Rate of Return</u>
U.S. equity	17.50%	4.50–5.50%
International equity	17.50%	6.50–7.25%
Global bonds	4.00%	3.00%
Global credit	2.00%	3.75%
High yield	7.00%	5.50%
Emerging market debt	5.00%	6.00%
Private credit	10.00%	8.50%
Real estate	5.00%	9.00%
Absolute return	10.00%	5.00%
Real return	10.00%	7.00%
Private equity	10.00%	6.50%
Cash	<u>2.00%</u>	1.50%
Total	100.00%	6.09%

Discount Rate. The projection of cash flows used to determine the 2018 discount rate of 6.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued 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:

	<u>Discount rate</u>	<u>City's proportionate share of net pension liability</u>
1% decrease	5.25%	\$ 3,822,874
Current discount rate	6.25%	\$ 3,036,687
1% increase	7.25%	\$ 2,378,000

CITY OF FULTON, KENTUCKY
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June 30, 2019

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 for the fiscal year ended June 30, 2018.

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 years 50% 15 – 19 years 75% 20 or more years..... 100%
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.

CITY OF FULTON, KENTUCKY
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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, 2019, was 5.26 percent of covered payroll and contributions paid were \$62,565. 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 implicit subsidy. For the year ended June 30, 2019, KRS reported an implicit subsidy of \$14,281.

OPEB liability. At June 30, 2019, the City reported a liability of \$885,237 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The total OPEB liability was rolled-forward from the June 30, 2017, valuation to June 30, 2018, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on employers' actual contributions for FY 2018. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2018, the City's proportion was 0.049859 percent. At June 30, 2017, the City's proportion was 0.051082 percent.

Actuarial assumptions. There have been no changes in actuarial assumptions since June 30, 2017. 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 now 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, is determined using these updated benefit provisions. The actuarial assumptions are:

Inflation	2.30 percent
Salary increases	3.05 percent
Investment rate of return	6.25 percent, net of OPEB plan investment expense
Healthcare cost trend rates	
Pre-65	7.0 percent at January 1, 2020, decreasing gradually to an ultimate trend rate of 4.5 percent over a period of 12 years
Post-65	5.0 percent at January 1, 2020, decreasing gradually to an Ultimate trend rate of 4.5 percent over a period of 10 years

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013, set back 1 year for females for healthy retired members and beneficiaries, and multiplied by 50% for males and 30% for females for active members. For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The long-term expected rate of return on OPEB plan 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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

Asset Class	Target Allocation	Long- term Expected Real Rate of Return
U.S. equity	17.50%	4.50–5.50%
International equity	17.50%	6.50–7.25%
Global bonds	4.00%	3.00%
Global credit	2.00%	3.75%
High yield	7.00%	5.50%
Emerging market debt	5.00%	6.00%
Private credit	10.00%	8.50%
Real estate	5.00%	9.00%
Absolute return	10.00%	5.00%
Real return	10.00%	7.00%
Private equity	10.00%	6.50%
Cash	<u>2.00%</u>	1.50%
Total	100.00%	6.09%

Discount rate. The discount rate used to measure the total OPEB liability was 5.85 percent. 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 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.62% as reported in Fidelity's *20-Year Municipal GO AA Index* as of June 30, 2018. 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 (4.85 percent) or 1-percentage-point higher (6.85 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	<u>\$1,149,780</u>	<u>\$885,237</u>	<u>\$ 659,894</u>

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:

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
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	1% Lower	Current Healthcare Trend Rate	1% Higher
Net OPEB liability	\$ 659,067	\$885,237	\$1,151,825

OPEB expense and deferred outflows and inflows of resources related to OPEB. For the year ended June 30, 2019, the City recognized CERS OPEB expense of \$108,593.

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to CERS OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 60,975
Changes in assumptions	176,795	2,045
Differences between expected and actual experience	-	103,163
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	22,558
Contributions subsequent to the measurement date ¹	76,846	-
Total	\$ 253,641	\$ 188,741

¹ must include implicit subsidy of \$14,281 per KRS

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, 2019. 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:	
2019	\$(1,192)
2020	(1,192)
2021	(1,192)
2022	10,650
2023	(12,024)
Thereafter	(6,996)

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 for the fiscal year ended June 30, 2018.

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.

CITY OF FULTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

Schedule of City of Fulton's Proportionate Share of the Net Pension Liability
County Employees Retirement System of Kentucky Retirement Systems
Plan Years Ending June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
City of Fulton's proportion of the collective net pension liability	.045510%	.049792%	.049242%	.051082%	.049861%
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
City of Fulton's covered payroll	\$1,043,418	\$1,162,279	\$1,177,546	\$1,243,734	\$1,190,906
Proportionate share of the net pension liability as percentage of covered payroll	141.55%	184.19%	205.89%	240.40%	254.99%
Plan fiduciary net position as percentage of the total pension liability	66.80%	59.97%	55.50%	53.30%	53.54%

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

Changes of assumptions. There were no changes in actuarial assumptions since June 30, 2017. 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. 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.

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions. However, 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%.

CITY OF FULTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

Schedule of City of Fulton's Contributions
County Employees Retirement System of Kentucky Retirement Systems
Fiscal Years Ending June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily determined contributions	\$ 143,366	\$ 148,663	\$ 146,734	\$ 173,501	\$ 179,964
Contributions in relation to the statutorily determined contribution	<u>143,366</u>	<u>148,663</u>	<u>146,734</u>	<u>173,501</u>	<u>179,964</u>
Contribution deficiency (excess)	<u>\$ -</u>				
City of Fulton's covered payroll	\$ 1,043,418	\$ 1,162,279	\$ 1,177,546	\$ 1,243,734	\$ 1,242,844
City of Fulton's contributions as a percentage of covered payroll	13.74%	12.75%	12.42%	13.95%	14.48%
	<u>2019</u>				
Statutorily determined contributions	\$ 193,165				
Contributions in relation to the statutorily determined contribution	<u>193,165</u>				
Contribution deficiency (excess)	<u>\$ -</u>				
City of Fulton's covered payroll	\$ 1,190,906				
City of Fulton's contributions as a percentage of covered payroll	16.22%				

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

The following actuarial methods and assumptions were used to determine contribution rates for fiscal year ended June 30, 2019, determined by the actuarial valuation as of June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years, closed
Asset valuation method	20% of the difference between market value of assets and the expected actuarial value of assets recognized
Inflation	2.30 percent
Salary increase	2.0 percent, average
Investment rate of return	6.25 percent, net of investment expense, including inflation

See independent auditor's report

CITY OF FULTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

**Schedule of City of Fulton's Proportionate Share of the
Net Other Postemployment Benefit Liability – County Employees Retirement System of
Kentucky Retirement Systems**
Plan Years Ending June 30,

	<u>2017</u>	<u>2018</u>
District's proportion of the collective net OPEB liability	.051082%	.049859%
District's proportionate share of the net OPEB liability	\$ 1,026,923	\$ 885,237
District's covered-employee payroll	\$ 1,243,734	\$ 1,190,906
District's proportionate share of net OPEB liability as a percent of its covered-employee payroll	82.57%	74.33%
Plan fiduciary net position as a percent of total OPEB liability	52.40%	57.62%

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

Changes of assumptions. There have been no changes in actuarial assumptions since June 30, 2017. 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, is determined using these updated benefit provisions.

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions. However, 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.
- The single discount rate changed from 6.90% to 5.83%.

CITY OF FULTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

Schedule of City of Fulton's OPEB Contributions
County Employees Retirement System of Kentucky Retirement Systems
Fiscal Years Ending June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily determined contributions	\$ 58,829	\$ 58,414	\$ 62,565
Contributions in relation to the statutorily determined contribution	<u>58,829</u>	<u>58,414</u>	<u>62,565</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$1,243,734	\$1,242,844	\$1,190,906
District's contributions as a percentage of covered-employee payroll	4.73%	4.70%	5.26%

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

Method and assumptions used in calculations of statutorily determined contributions. The statutorily determined contribution rates effective for fiscal year ending 2019 were calculated as of June 30, 2017. The following actuarial methods and assumptions were used:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	27 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25 percent
Salary increase	4.0 percent, average
Investment rate of return	7.5 percent, net of plan investment expense
Mortality rates	RP-2000 Combined Mortality Table projected to 2013, with Scale BB (set back 1 year for females).
Healthcare cost trend rates	
Pre-65	7.5 percent, decreasing gradually to an ultimate rate of 5.0 percent over a period of 5 years
Post-65	5.5 percent, decreasing gradually to an ultimate rate of 5.0 percent over a period of 2 years

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SUPPLEMENTARY AND OTHER INFORMATION SECTION

**CITY OF FULTON, KENTUCKY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2019**

	Special Revenue Funds		
	Municipal Aid Fund	Ambulance Fund	Total
Assets			
Cash in banks	\$ 205,554	\$ 135,438	\$ 340,992
Total assets	\$ 205,554	\$ 135,438	\$ 340,992
Liabilities			
Unearned revenue	\$ 9,414	\$ -	\$ 9,414
Fund balances			
Restricted	196,140	135,438	331,578
Total liabilities and fund balances	\$ 205,554	\$ 135,438	\$ 340,992

CITY OF FULTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	<u>Special Revenue Funds</u>		
	<u>Municipal Aid Fund</u>	<u>Ambulance Fund</u>	<u>Total</u>
Revenues			
Intergovernmental revenue	\$ 49,969	\$ -	\$ 49,969
Interest income	2,878	1,909	4,787
Miscellaneous	3,000	-	3,000
Total revenues	<u>55,847</u>	<u>1,909</u>	<u>57,756</u>
Expenditures			
Repair and maintenance	5,232	-	5,232
Professional/technical services	99,960	-	99,960
Sidewalk repair	11,450	-	11,450
Total expenditures	<u>116,642</u>	<u>-</u>	<u>116,642</u>
Net change in fund balances	(60,795)	1,909	(58,886)
Fund balances - July 1, 2018	<u>256,935</u>	<u>133,529</u>	<u>390,464</u>
Fund balances - June 30, 2019	<u>\$ 196,140</u>	<u>\$ 135,438</u>	<u>\$ 331,578</u>

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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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
State municipal aid	\$ 45,000	\$ 49,600	\$ 49,969	\$ 369
Miscellaneous revenue	-	3,000	3,000	-
Interest	<u>1,400</u>	<u>2,850</u>	<u>2,878</u>	<u>28</u>
Total revenues	<u>46,400</u>	<u>55,450</u>	<u>55,847</u>	<u>397</u>
Expenditures				
Maintenance - streets	5,000	7,500	5,232	(2,268)
Professional/technical services	30,000	100,000	99,960	(40)
Sidewalk repair	<u>10,000</u>	<u>16,000</u>	<u>11,450</u>	<u>(4,550)</u>
Total expenditures	<u>45,000</u>	<u>123,500</u>	<u>116,642</u>	<u>(6,858)</u>
Net change in fund balance	1,400	(68,050)	(60,795)	7,255
Fund balance - July 1, 2018	<u>256,935</u>	<u>256,935</u>	<u>256,935</u>	<u>-</u>
Fund balance - June 30, 2019	<u>\$258,335</u>	<u>\$ 188,885</u>	<u>\$ 196,140</u>	<u>\$ 7,255</u>

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CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
TOURISM FUND

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Hotel tax - City of Fulton	\$ 6,000	\$ 10,500	\$ 12,569	\$ 2,069
Restaurant tax	78,000	83,263	95,189	11,926
Interest	1,300	3,600	3,638	38
Festival income	48,000	44,786	44,786	-
Miscellaneous	-	789	789	-
Total revenues	<u>133,300</u>	<u>142,938</u>	<u>156,971</u>	<u>14,033</u>
Expenditures				
Clerical services	13,800	15,650	15,650	-
Special projects	7,000	5,000	-	(5,000)
Lohaus Field	12,500	5,000	5,648	648
Office supplies	200	200	206	6
Fourth of July/Christmas	16,500	18,645	18,686	41
Telephone	2,100	2,200	2,128	(72)
Advertising/printing	1,000	267	483	216
Travel	2,000	2,205	1,899	(306)
Festival expenses	75,000	76,000	75,708	(292)
Miscellaneous	2,700	1,000	500	(500)
Postage	200	200	-	(200)
Total expenditures	<u>133,000</u>	<u>126,367</u>	<u>120,908</u>	<u>(5,459)</u>
Net change in fund balance	300	16,571	36,063	19,492
Fund balance - July 1, 2018	<u>245,230</u>	<u>245,230</u>	<u>245,230</u>	<u>-</u>
Fund balance - June 30, 2019	<u>\$ 245,530</u>	<u>\$ 261,801</u>	<u>\$ 281,293</u>	<u>\$ 19,492</u>

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CITY OF FULTON, KENTUCKY
SCHEDULE OF STATE ASSISTANCE
For the Year Ended June 30, 2019

<u>Grantor Agency/ Pass-through Entity/ Program Name</u>	<u>Grant Number</u>	<u>Disbursements</u>
Kentucky State Fire Commission Fire Rescue Training	n/a	\$ <u>11,000</u>
Total state assistance		\$ <u>11,000</u>

NOTE: This schedule is prepared on the modified accrual basis of accounting.

CITY OF FULTON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
BY INDIVIDUAL ISSUE - ALL FUNDS
June 30, 2019

GOVERNMENTAL LONG-TERM DEBT

Year Ended	Kentucky Bond Corporation Financing Program Revenue Bonds - Series 2016C		Total Debt Service
	Principal	Interest	
	2020	\$ 13,648	
2021	15,494	16,949	32,443
2022	17,656	16,639	34,295
2023	19,818	16,286	36,104
2024	21,980	15,889	37,869
2025	24,368	15,450	39,818
2026	26,845	14,949	41,794
2027	29,457	14,364	43,821
2028	32,475	13,668	46,143
2029	35,403	12,821	48,224
2030	38,646	11,809	50,455
2031	42,114	10,649	52,763
2032	46,123	9,386	55,509
2033	50,221	8,002	58,223
2034	54,455	6,495	60,950
2035	59,320	4,862	64,182
2036	63,959	3,082	67,041
2037	38,912	1,163	40,075
Totals	\$ 630,894	\$ 209,685	\$ 840,579

WATER AND SEWER FUND

Year Ended	Bonds Payable Kentucky Rural Water Finance Corporation		Kentucky Bond Corporation Financing Program Revenue Bonds - Series 2016C		Note Payable Kentucky Infrastructure Authority		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
	2020	\$ 55,000	\$ 21,588	\$ 112,602	\$ 142,091	\$ 54,020	
2021	60,000	19,222	127,839	139,839	54,426	7,040	408,366
2022	65,000	16,642	145,677	137,282	54,835	6,631	426,067
2023	65,000	13,848	163,515	134,369	55,247	6,219	438,198
2024	65,000	10,728	181,353	131,098	55,662	5,804	449,645
2025	70,000	7,608	201,049	127,471	56,081	5,386	467,595
2026	75,000	4,598	221,489	123,339	56,502	4,964	485,892
2027	68,000	2,310	243,043	118,511	56,927	4,540	493,331
2028			267,942	112,773	57,354	4,112	442,181
2029			292,097	105,782	57,785	3,681	459,345
2030			318,854	97,429	58,220	3,247	477,750
2031			347,469	87,863	58,657	2,810	496,799
2032			380,544	77,439	59,098	2,369	519,450
2033			414,362	66,023	59,542	1,925	541,852
2034			449,295	53,592	59,989	1,477	564,353
2035			489,430	40,113	60,440	1,027	591,010
2036			527,707	25,430	60,894	572	614,603
2037			319,839	9,599	30,619	115	360,172
Totals	\$ 523,000	\$ 96,544	\$ 5,204,106	\$ 1,730,043	\$ 1,006,298	\$ 69,365	\$ 8,629,356

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INTERNAL CONTROL AND COMPLIANCE SECTION



**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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 2019-001 and 2019-002, that we consider to be significant deficiencies.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Fulton's Response to Findings

City of Fulton's response to the findings 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.

Alexander Thompson Arnold PLLC

Martin, Tennessee
November 6, 2019

CITY OF FULTON, KENTUCKY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2019

2019-001 Segregation of Duties

Condition: The City is not adequately segregating duties related to the receiving, reconciling, and depositing of cash.

Criteria: Generally accepted accounting principles require that management design internal controls to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented, or detected and corrected in a timely manner. A fundamental concept in a good system of internal control is separating duties so that one person cannot receive, record, reconcile, and deposit cash.

Effect: The risk of errors or fraud occurring and not being prevented or detected in a timely manner increases when accounting functions are not adequately segregated and sufficient controls are not in place.

Recommendation: Management and the board should develop policies and procedures that adequately segregate accounting functions. This policy should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.

Response: *We continue to make sure no one does their own deposit. With our new system, we post the payments as customers are waited on.*

2019-002 Failure to Close Books and Reconcile Accounts

Condition: During our testing of revenues and receivables, we noted that the City's books for the fiscal year ended June 30, 2019, were not closed in a timely manner. Revenues collected from July 1 through August 6, 2019, were included in revenue for the year ended June 30, 2019. In addition, no reconciliations of major revenue sources and receivable balances were being prepared throughout the year or at year end.

Criteria: Generally accepted auditing standards for testing that financial statement items are materially correct include cutoff as a relevant assertion for determining that revenues and expenditures have been recorded in the correct accounting period. The Kentucky Cities Financial Manual states that monthly reports should be reconciled to source documents and to receipt and disbursement ledgers.

Effect: Revenue accounts did not accurately reflect fiscal year amounts. Receivable balances required extensive testing to determine that financial statement amounts were materially correct.

Recommendation: The City's management should ensure that an accurate cutoff of financial transactions occurs at the end of each fiscal year. The City should reconcile all major sources of revenue to source documents and to the general ledger account at least monthly and retain these reconciliations for audit purposes. Any reconciling items should be investigated and appropriate adjustments made when necessary to keep all the City's financial records in balance.

Response: *During 2019, we started using a new computer system for General Fund revenue. We had many errors. We will close the books in a more timely manner and reconcile our major revenue sources from now on.*