

CITY OF FULTON, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2020

**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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Municipal Aid Fund 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 44 through 48 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 17, 2020, 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 17, 2020

City of Fulton

P.O. Box 1350
Fulton, Kentucky 42041

City Hall
Fax

270-472-1320
270-472-0686



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, 2020.

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 \$5.0 million (*net position*). This represents a decrease of \$626 thousand from the prior year. This decrease was due to a \$920 thousand net loss from current year operations and a \$294 thousand adjustment added directly to net position, mainly attributable to a prior period adjustment to correctly report the Tourism Fund as a special revenue fund of the City, rather than as a fiduciary fund excluded from the primary government. Of the total net position, \$6.6 million represents the City's investment in capital assets, net of related debt, and \$443 thousand is restricted, resulting in negative unrestricted net position of \$2 million as of June 30, 2020.
- As of the close of the current fiscal year, the City's general fund reported an ending fund balance of \$1.4 million, which includes a decrease of \$102 thousand from current year operations in comparison with the prior year and an increase of \$16 thousand from a prior period adjustment to write off old interfund balances. Of the total fund balance, \$1.3 million 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 \$620 thousand, and business-type activities had a net decrease of \$300 thousand, for a total decrease of \$920 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:

- Began cross training program to accommodate the large number of retirees that are coming in the next 5 years in key positions throughout the City.
- Began work updating the City's Comprehensive Plan.
- Worked on fostering 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.
- Developed and adopted a master plan for the parks and greenspaces throughout the City. Worked with the Parks Board and architect to put master plans on paper, focusing on safety, making the parks more of a place for all citizens to enjoy and a draw to pull visitors to the City.

- Started and completed renovations on one set of restrooms at the City Park.
- Continued to 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.
- Continued to analyze the budget monthly and ensure that we are operating fiscally responsible and redirecting spending to be more efficient.
- Continue to develop fleet and equipment rotational policies aligned with funding to make capital purchase needs going forward more manageable.

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.

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 and Municipal Aid Fund, which are considered to be major funds. 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.

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.

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 immediately following the basic financial statements.

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 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 (9%) 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,052,737	\$ 2,171,909	\$ 942,122	\$ 995,287	\$ 2,994,859	\$ 3,167,196
Capital assets	3,001,139	3,087,421	10,704,384	11,004,962	13,705,523	14,092,383
Total assets	<u>5,053,876</u>	<u>5,259,330</u>	<u>11,646,506</u>	<u>12,000,249</u>	<u>16,700,382</u>	<u>17,259,579</u>
Deferred outflows of resources	<u>490,356</u>	<u>440,036</u>	<u>484,394</u>	<u>436,881</u>	<u>974,750</u>	<u>876,917</u>
Long-term liabilities	2,787,298	2,685,167	8,592,825	8,724,364	11,380,123	11,409,531
Other liabilities	58,017	102,806	426,353	399,745	484,370	502,551
Total liabilities	<u>2,845,315</u>	<u>2,787,973</u>	<u>9,019,178</u>	<u>9,124,109</u>	<u>11,864,493</u>	<u>11,912,082</u>
Deferred inflows of resources	<u>550,262</u>	<u>439,490</u>	<u>257,299</u>	<u>156,374</u>	<u>807,561</u>	<u>595,864</u>
Net investment in capital assets	2,385,642	2,458,385	4,172,211	4,244,238	6,557,853	6,702,623
Restricted net position	414,792	822,735	28,000	28,000	442,792	850,735
Unrestricted net position	<u>(651,779)</u>	<u>(809,217)</u>	<u>(1,345,788)</u>	<u>(1,115,591)</u>	<u>(1,997,567)</u>	<u>(1,924,808)</u>
Total net position	<u>\$ 2,148,655</u>	<u>\$ 2,471,903</u>	<u>\$ 2,854,423</u>	<u>\$ 3,156,647</u>	<u>\$ 5,003,078</u>	<u>\$ 5,628,550</u>

Statement of Activities – Expenditures from governmental activities exceeded revenues by \$621 thousand during the current year. The main difference in revenue from the prior year was the increase in operating grants for highways and streets. Expenditures increased by \$469 thousand, with the largest increase in highways and streets due to the City’s paving project.

In the business-type activities, expenses exceeded revenues by \$122 thousand, which was an improvement from the prior year. Service revenues increased by \$79 thousand or 3.5% and expenditures only increased by 1.7% from the prior year.

A condensed statement of activities for the years ended June 30, 2020 and 2019, is presented on the following page.

CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program revenues						
Charges for services	\$ 181,365	\$ 106,481	\$ 2,323,448	\$ 2,244,612	\$ 2,504,813	\$ 2,351,093
Operating grants/contributions	205,224	117,539	-	-	205,224	117,539
Capital grants/contributions	-	-	-	-	-	-
	386,589	224,020	2,323,448	2,244,612	2,710,037	2,468,632
Expenses						
General government	238,353	193,964	-	-	238,353	193,964
Public safety	1,576,523	1,453,584	-	-	1,576,523	1,453,584
Public works - general	54,503	63,367	-	-	54,503	63,367
Highways and streets	368,677	183,317	-	-	368,677	183,317
Parks and cemeteries	119,233	98,230	-	-	119,233	98,230
Tourism	125,180	-	-	-	125,180	-
Utilities	-	-	2,445,131	2,405,670	2,445,131	2,405,670
Non-departmental	124,715	146,118	-	-	124,715	146,118
Total expenses	2,607,184	2,138,580	2,445,131	2,405,670	5,052,315	4,544,250
Net program revenue (expense)	(2,220,595)	(1,914,560)	(121,683)	(161,058)	(2,342,278)	(2,075,618)
General revenues						
Taxes	1,332,489	1,442,274	-	-	1,332,489	1,442,274
Other	69,565	176,438	20,104	11,705	89,669	188,143
Transfers	197,920	175,735	(197,920)	(175,735)	-	-
Change in net assets	(620,621)	(120,113)	(299,499)	(325,088)	(920,120)	(445,201)
Beginning net assets	2,471,903	2,800,621	3,156,647	3,481,735	5,628,550	6,282,356
Prior period adjustments	297,373	(208,605)	(2,725)	-	294,648	(208,605)
Beginning net assets as restated	2,769,276	2,592,016	3,153,922	3,481,735	5,923,198	6,073,751
Ending net assets	\$ 2,148,655	\$ 2,471,903	\$ 2,854,423	\$ 3,156,647	\$ 5,003,078	\$ 5,628,550

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 83% of governmental fund revenues. Accordingly, this discussion will focus on the General Fund. General fund balance was \$1.4 million at the end of the current fiscal year. Of that balance, \$1.3 million is available to meet the day-to-day needs of the City.

Revenues in the General Fund were approximately \$296 thousand less than last year due mainly to decreases in property taxes and Alcoholic Beverage Control fees, which were \$312 thousand less than last year. In total, General Fund expenditures remained steady.

Proprietary funds – Unrestricted net position in the proprietary fund at the end of the year was a deficit of \$1.3 million due to the \$300 thousand loss from utility operations during the current year. The City’s utility department operated at a profit of approximately \$40 thousand before interest on the bond issue of \$162 thousand, and the in-lieu-of-tax transfer to the General Fund of \$198 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues were \$156 thousand more than budgeted amounts. This was mainly attributable to property tax collections and payroll tax revenue received. Total expenditures were \$34 thousand less than budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2020, the City had invested approximately \$13.7 million, net of accumulated depreciation, in a variety of capital assets, which decreased from the prior year due to depreciation. Additional information on the City’s capital assets can be found in the notes to the financial statements.

Long-term debt – At the end of the current fiscal year, the City of Fulton had bonds payable of \$6.2 million and a loan with Kentucky Infrastructure Authority with a balance of \$952 thousand. Additional information on the City’s long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The Adopted Budget for fiscal year end 2021 began with input from individual department heads. They each submitted a five-year capital outlay and next fiscal year budget needs. We were on track from last year to accomplish what we had been working towards in correcting a shortfall in the Utility budget. In March, COVID-19 struck the US economy. This economic shutdown required us to forecast a decrease in revenues. I requested department heads cut expenditures over the next year in some of our proactive spending areas. Once these requests were done and submitted, the City Financial Officer and City Manager began 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 budget is not a proactive budget, but is designed to be a survival budget, and will need to be monitored and possibly amended. The Budget also contains cost savings measures designed to keep the City whole during this period of economic recovery.

Some of the FYE 2021 goals and priorities include, in no particular order:

1. Continue the cross training 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. Beautify and enhance the entryways to the City, making them more inviting.
9. 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.
10. Implement and review practices, policies, and procedures to become more consistent and efficient in our spending.
11. Explore more energy efficient ways to run City infrastructure.

12. Analyze budget monthly and ensure that we are operating fiscally responsible and redirecting spending to be more efficient.
13. Redefine the City boundaries and zoning areas.
14. Develop a capital project list and plan for needed future expenditures.
15. Continue to develop fleet and equipment rotational policies aligned with funding to make capital purchase needs going forward more manageable.
16. Begin the work to achieve the status of an “Ethics Certified” City by Kentucky League of Cities.

The City Utility Fund, with the adoption of this budget, is projected to be on a more stable financial status. We transferred some of the duplicate charges for personnel cost back to the general fund, which will improve the Utility Fund’s cash flow. Our local economy, due to the COVID-19 Pandemic, has seen a downturn, but we expect it to make a recovery and continue ahead in the coming months.

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, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 1,221,654	\$ 576,434	\$ 1,798,088
Taxes receivable, net of allowance	289,531	-	289,531
Accounts receivable, net of allowance	-	233,590	233,590
Other taxes receivable	157,761	-	157,761
Due from other governments	101,958	-	101,958
Internal balances	(13,175)	13,175	-
Prepaid expense	215,970	64,671	280,641
Inventory	-	26,252	26,252
Restricted assets:			
Cash and cash equivalents	79,038	28,000	107,038
Capital assets not being depreciated			
Land and improvements	269,920	-	269,920
Capital assets, net of accumulated depreciation			
Buildings	1,573,934	-	1,573,934
Improvements	31,835	-	31,835
Vehicles and equipment	1,125,450	-	1,125,450
Utility plant in service	-	10,704,384	10,704,384
Total assets	<u>5,053,876</u>	<u>11,646,506</u>	<u>16,700,382</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	334,298	330,487	664,785
Deferred outflows related to other postemployment benefits	156,058	153,907	309,965
Total deferred outflows of resources	<u>490,356</u>	<u>484,394</u>	<u>974,750</u>
Liabilities			
Accounts payable	30,352	192,024	222,376
Payroll-related liabilities	5,928	-	5,928
Other accrued liabilities	-	9,040	9,040
Customer deposits	12,323	225,289	237,612
Unearned revenue - grants	9,414	-	9,414
Noncurrent liabilities:			
Net pension liability	1,675,325	1,656,228	3,331,553
Net other postemployment benefits liability	401,484	395,813	797,297
Long-term liabilities due within one year	15,494	244,348	259,842
Long-term liabilities due in more than one year	694,995	6,296,436	6,991,431
Total liabilities	<u>2,845,315</u>	<u>9,019,178</u>	<u>11,864,493</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	289,531	-	289,531
Deferred inflows related to pensions	92,168	91,117	183,285
Deferred inflows related to other postemployment benefits	168,563	166,182	334,745
Total deferred inflows	<u>550,262</u>	<u>257,299</u>	<u>807,561</u>
Net Position			
Net investment in capital assets	2,385,642	4,172,211	6,557,853
Restricted	414,792	28,000	442,792
Unrestricted	(651,779)	(1,345,788)	(1,997,567)
Total net position	<u>\$ 2,148,655</u>	<u>\$ 2,854,423</u>	<u>\$ 5,003,078</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, 2020

Functions/Programs	Expenses	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	\$ 238,353	\$ -	\$ -	\$ -	\$ (238,353)	\$ -	\$ (238,353)
Public safety	1,576,523	62,964	64,748	-	(1,448,811)	-	(1,448,811)
Public works - general	54,503	3,832	-	-	(50,671)	-	(50,671)
Highways and streets	368,677	29,400	140,476	-	(198,801)	-	(198,801)
Parks and cemeteries	119,233	25,713	-	-	(93,520)	-	(93,520)
Tourism	125,180	59,456	-	-	(65,724)	-	(65,724)
Non-departmental	105,153	-	-	-	(105,153)	-	(105,153)
Debt service expenses	19,562	-	-	-	(19,562)	-	(19,562)
Total governmental activities	2,607,184	181,365	205,224	-	(2,220,595)	-	(2,220,595)
Business-type activities:							
Public utilities	2,445,131	2,323,448	-	-	-	(121,683)	(121,683)
Total	\$ 5,052,315	\$ 2,504,813	\$ 205,224	\$ -	(2,220,595)	(121,683)	(2,342,278)
General revenues:							
Property taxes					406,192	-	406,192
Franchise taxes					18,604	-	18,604
Alcoholic beverage control regulatory fees					30,934	-	30,934
Payroll taxes					709,041	-	709,041
Insurance premium tax					52,169	-	52,169
Hotel and restaurant taxes					85,074	-	85,074
Business and other licenses					30,475	-	30,475
Interest					39,220	20,104	59,324
Miscellaneous					30,345	-	30,345
Transfers					197,920	(197,920)	-
Total general revenues and transfers					1,599,974	(177,816)	1,422,158
Change in net position					(620,621)	(299,499)	(920,120)
Net position - beginning					2,471,903	3,156,647	5,628,550
Prior period adjustments					297,373	(2,725)	294,648
Net position - beginning, as restated					2,769,276	3,153,922	5,923,198
Net position - ending					\$ 2,148,655	\$ 2,854,423	\$ 5,003,078

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

CITY OF FULTON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	<u>General Fund</u>	<u>Municipal Aid Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 874,753	\$ 51,567	\$ 295,334	\$ 1,221,654
Property taxes receivable, net	289,531	-	-	289,531
Other taxes receivable	157,761	-	-	157,761
Due from other governments	101,958	-	-	101,958
Prepaid expense	215,970	-	-	215,970
Restricted cash	79,038	-	-	79,038
Total assets	<u>\$1,719,011</u>	<u>\$ 51,567</u>	<u>\$ 295,334</u>	<u>\$ 2,065,912</u>
Liabilities				
Accounts payable	\$ 28,619	\$ 850	\$ 883	\$ 30,352
Payroll-related liabilities	5,928	-	-	5,928
Due to utility fund	13,175	-	-	13,175
Unearned revenue	-	9,414	-	9,414
Customer deposits	12,323	-	-	12,323
Total liabilities	<u>60,045</u>	<u>10,264</u>	<u>883</u>	<u>71,192</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>289,531</u>	<u>-</u>	<u>-</u>	<u>289,531</u>
Fund Balances				
Restricted	79,038	41,303	294,451	414,792
Assigned	15,000	-	-	15,000
Unassigned	1,275,397	-	-	1,275,397
Total fund balances	<u>1,369,435</u>	<u>41,303</u>	<u>294,451</u>	<u>1,705,189</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$1,719,011</u>	<u>\$ 51,567</u>	<u>\$ 295,334</u>	<u>\$ 2,065,912</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, 2020

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

Total fund balances of governmental funds	\$ 1,705,189
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,001,139
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	615,497
Compensated absences	94,992
Net pension liability	1,675,325
Net other postemployment benefit liability	401,484
Deferred inflows	260,731
Deferred outflows	<u>(490,356)</u>
Total	<u>(2,557,673)</u>
Net position of governmental activities	<u>\$ 2,148,655</u>

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, 2020

	General Fund	Municipal Aid Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local taxes	\$ 1,216,940	\$ -	\$ 85,074	\$ 1,302,014
Intergovernmental revenue	93,563	140,476	-	234,039
Charges for services	108,393	-	59,456	167,849
Grant revenue	11,000	-	-	11,000
Fines, forfeitures and penalties	4,176	-	-	4,176
Interest	28,290	3,700	7,230	39,220
Other revenues	26,330	4,010	5	30,345
Total revenues	1,488,692	148,186	151,765	1,788,643
Expenditures				
Current:				
General government	165,337	-	-	165,337
Public safety	1,211,087	-	135,438	1,346,525
Public works - general	27,879	-	-	27,879
Highways and streets	57,862	303,023	-	360,885
Parks and cemeteries	94,261	-	-	94,261
Tourism	-	-	125,180	125,180
Non-departmental	105,153	-	-	105,153
Debt service:				
Principal	13,648	-	-	13,648
Interest	17,222	-	-	17,222
Bond fees	2,230	-	-	2,230
Capital outlay:				
Public safety	75,332	-	-	75,332
Parks and cemeteries	18,750	-	13,427	32,177
Total expenditures	1,788,761	303,023	274,045	2,365,829
Revenues over (under) expenditures	(300,069)	(154,837)	(122,280)	(577,186)
Other financing sources (uses)				
Transfers in	197,920	-	-	197,920
Net change in fund balances	(102,149)	(154,837)	(122,280)	(379,266)
Fund balances - July 1, 2019	1,455,504	196,140	135,438	1,787,082
Prior period adjustments	16,080	-	281,293	297,373
Fund balances - July 1, 2019, as restated	1,471,584	196,140	416,731	2,084,455
Fund balances - June 30, 2020	\$ 1,369,435	\$ 41,303	\$ 294,451	\$ 1,705,189

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, 2020

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

Net change in fund balances of governmental funds \$(379,266)

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.

Capital outlay expenditures	107,509	
Depreciation expense	<u>(193,790)</u>	
Net effect		(86,281)

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.

Contributions made	144,873	
Pension and OPEB expense	<u>(307,728)</u>	
Net effect		(162,855)

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.

Payments on bond principal	13,648
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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.

(110)

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.

(5,757)

Change in net position of governmental activities \$(620,621)

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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Revenues				
Local taxes				
Property taxes	\$ 340,500	\$ 309,324	\$ 374,638	\$ 65,314
Interest and penalties	2,700	6,500	6,670	170
Payments in lieu of tax	25,065	24,884	24,884	-
Franchise taxes	18,000	18,592	18,604	12
Alcoholic beverage control regulatory fee	361,825	10,000	30,934	20,934
Insurance premium tax	-	52,062	52,169	107
Payroll taxes	<u>772,500</u>	<u>650,000</u>	<u>709,041</u>	<u>59,041</u>
Total local taxes	<u>1,520,590</u>	<u>1,071,362</u>	<u>1,216,940</u>	<u>145,578</u>
Intergovernmental revenues				
Business licenses	33,000	25,000	24,225	(775)
Alcoholic beverage control licenses	7,300	6,250	6,250	-
County court fees	3,100	2,679	2,430	(249)
Fire department revenue	500	2,268	2,268	-
State grant funds	11,000	11,000	11,000	-
State incentive revenue	44,000	45,000	45,439	439
Law enforcement fees	7,000	6,041	6,041	-
Code enforcement revenue	<u>2,500</u>	<u>7,000</u>	<u>6,910</u>	<u>(90)</u>
Total intergovernmental revenues	<u>108,400</u>	<u>105,238</u>	<u>104,563</u>	<u>(675)</u>
Charges for services				
Rent	11,100	8,900	8,913	13
Building permits	250	3,782	3,832	50
City stickers	50,000	29,000	29,400	400
School resource officer	-	49,448	49,448	-
Cemetery lots	5,500	6,000	6,400	400
Cemetery openings and upkeep	<u>8,500</u>	<u>8,850</u>	<u>10,400</u>	<u>1,550</u>
Total charges for services	<u>75,350</u>	<u>105,980</u>	<u>108,393</u>	<u>2,413</u>
Fines, forfeitures and penalties				
Parking violations	-	10	10	-
Base court revenue	<u>6,000</u>	<u>3,166</u>	<u>4,166</u>	<u>1,000</u>
Total fines, forfeitures and penalties	<u>6,000</u>	<u>3,176</u>	<u>4,176</u>	<u>1,000</u>
Other revenues				
Sale of property	3,000	-	-	-
Interest income	25,000	27,263	28,290	1,027
Damage awards	-	18,743	20,641	1,898
Miscellaneous income	<u>2,000</u>	<u>950</u>	<u>5,689</u>	<u>4,739</u>
Total other revenues	<u>30,000</u>	<u>46,956</u>	<u>54,620</u>	<u>7,664</u>
Total revenues	<u>1,740,340</u>	<u>1,332,712</u>	<u>1,488,692</u>	<u>155,980</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Expenditures				
Administrative				
Salaries	99,655	97,000	93,072	(3,928)
Retirement/pension	16,041	16,071	16,041	(30)
Hospitalization	15,155	16,288	14,753	(1,535)
Life/dental	190	210	193	(17)
Social security	6,522	5,670	5,670	-
Other benefits	125	21	16	(5)
Office supplies	500	853	665	(188)
Technical supplies	800	664	619	(45)
Dues and subscriptions	500	850	821	(29)
Motor fuel/oil	2,000	1,780	1,521	(259)
Telephone	1,250	1,090	1,179	89
Advertising/printing	3,400	3,000	3,214	214
Travel	2,000	2,800	2,679	(121)
Insurance	5,458	5,400	5,400	-
Professional/technical services	750	425	503	78
Training	2,000	1,600	1,398	(202)
Miscellaneous	200	1,300	3,885	2,585
Duplicate charges	(68,844)	(67,630)	(63,072)	4,558
Total administrative	<u>87,702</u>	<u>87,392</u>	<u>88,557</u>	<u>1,165</u>
Finance Department				
Salaries	175,229	190,000	188,717	(1,283)
Overtime/help	2,000	1,500	1,213	(287)
Retirement/pension	41,318	44,000	43,981	(19)
Hospitalization	42,640	41,000	37,309	(3,691)
Life/dental insurance	760	850	771	(79)
Social security	13,558	13,050	13,101	51
Other benefits	1,400	1,000	40	(960)
Maintenance - fixtures	2,000	1,600	1,412	(188)
Utilities	8,000	11,300	10,784	(516)
Technical supplies	1,000	1,200	1,431	231
Office supplies	1,200	1,039	811	(228)
Cleaning supplies	650	800	968	168
Dues/subscriptions	150	190	190	-
Postage	1,000	973	773	(200)
Telephone	950	1,090	1,179	89
Travel	2,000	492	492	-
Insurance	3,268	3,200	3,200	-
Professional/technical services	400	-	-	-
Training/registration	1,000	750	988	238
Miscellaneous	200	200	-	(200)
Duplicate charges	(221,524)	(233,120)	(230,580)	2,540
Total finance department	<u>77,199</u>	<u>81,114</u>	<u>76,780</u>	<u>(4,334)</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Code Compliance				
Salaries	37,444	38,000	37,168	(832)
Retirement/pension	9,009	8,747	8,744	(3)
Health/vision	9,875	9,700	8,877	(823)
Life/dental	190	210	193	(17)
Social security	2,864	2,800	2,667	(133)
Other benefits	75	80	84	4
Clothing	500	300	173	(127)
Maintenance - vehicles/equipment	250	300	295	(5)
Office supplies	500	389	319	(70)
Technical supplies	1,250	500	260	(240)
Dues and subscriptions	2,000	1,000	711	(289)
Motor fuel/oil	200	350	304	(46)
Postage	500	500	500	-
Telephone	300	-	-	-
Advertising/printing	250	100	59	(41)
Travel	3,000	-	-	-
Insurance	3,268	3,200	3,200	-
Professional/technical services	5,000	5,434	5,434	-
Training	2,000	400	377	(23)
Code enforcement	50,000	50,000	29,452	(20,548)
Miscellaneous	250	100	-	(100)
Total code compliance	<u>128,725</u>	<u>122,110</u>	<u>98,817</u>	<u>(23,293)</u>
Police Department				
Salaries	368,653	368,000	361,785	(6,215)
Overtime/help	50,000	36,141	30,075	(6,066)
Retirement/pension	109,149	100,760	100,858	98
Hospitalization	99,885	111,677	99,260	(12,417)
Life/dental insurance	2,090	2,056	1,886	(170)
Social security	35,087	29,936	29,988	52
Workers' compensation	37,500	37,421	37,421	-
Clothing	5,000	10,000	6,046	(3,954)
Incentive	40,000	31,800	31,692	(108)
Other benefits	700	379	307	(72)
Maintenance - fixtures	6,500	2,000	5,828	3,828
Maintenance - vehicles/equipment	16,400	16,400	17,797	1,397
Utilities	7,000	6,250	6,105	(145)
Alcoholic beverage control expenses	15,000	15,000	10,724	(4,276)
School resource officer expense	-	2,024	1,518	(506)
Technical supplies	8,500	10,000	10,274	274
Office supplies	4,500	4,000	3,630	(370)
Cleaning supplies	500	500	571	71
Dues and subscriptions	600	400	428	28
Motor fuel/oil	26,000	19,000	20,317	1,317
Postage	600	621	541	(80)
Telephone	7,000	10,150	10,450	300
Advertising/printing	500	300	261	(39)

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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Travel	6,000	5,000	5,079	79
Insurance	30,438	31,881	31,958	77
Professional/technical services	1,000	433	627	194
Training	1,000	900	899	(1)
Program implements	600	600	524	(76)
Animal control	4,000	4,000	3,551	(449)
Dispatch expense	30,000	30,000	27,500	(2,500)
Drug fund expenditures	7,000	6,500	18,923	12,423
Miscellaneous	1,000	1,000	966	(34)
Capital expenditures	<u>35,000</u>	<u>63,850</u>	<u>63,850</u>	<u>-</u>
Total Police Department	<u>957,202</u>	<u>958,979</u>	<u>941,639</u>	<u>(17,340)</u>
Fire Department				
Salaries	53,409	53,409	50,909	(2,500)
Retirement/pension	13,572	13,275	13,211	(64)
Hospitalization	9,875	12,205	11,467	(738)
Life/dental insurance	190	220	197	(23)
Social security	4,392	4,200	3,940	(260)
Workers' compensation	6,204	6,150	6,150	-
Clothing	1,200	150	80	(70)
Incentive	4,000	4,000	4,000	-
Other benefits	4,300	212	161	(51)
Maintenance - fixtures	3,000	3,000	3,124	124
Maintenance - vehicles/equipment	13,000	13,000	16,920	3,920
Utilities	6,000	6,250	6,105	(145)
State Aid expense	11,000	-	11,473	11,473
Volunteer fire expenditures	50,000	50,000	50,000	-
Fire prevention	2,200	1,454	1,523	69
Technical supplies	16,000	12,000	11,717	(283)
Office supplies	1,500	265	268	3
Cleaning supplies	800	407	351	(56)
Dues and subscriptions	2,000	433	325	(108)
Motor fuel/oil	3,000	2,816	2,850	34
Grant expense	1,000	38	38	-
Postage	300	300	200	(100)
Telephone	2,250	2,350	2,499	149
Advertising/printing	350	-	-	-
Travel	3,500	1,800	1,750	(50)
Insurance	15,500	15,500	15,500	-
Professional/technical services	10,000	6,500	6,799	299
Training	4,000	3,000	3,553	553
Dispatch expense	10,000	10,000	9,167	(833)
Miscellaneous	200	204	204	-
Capital expenditures	<u>-</u>	<u>11,482</u>	<u>11,482</u>	<u>-</u>
Total Fire Department	<u>252,742</u>	<u>234,620</u>	<u>245,963</u>	<u>11,343</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Public Works Department				
Salaries	455,342	445,000	437,098	(7,902)
Overtime/help	18,000	19,000	19,410	410
Retirement/pension	109,074	105,000	104,864	(136)
Hospitalization	77,280	73,000	66,844	(6,156)
Life/dental insurance	2,280	2,310	2,126	(184)
Social security	36,211	34,850	34,719	(131)
Workers' compensation	51,000	50,950	50,950	-
Clothing	7,000	6,100	5,892	(208)
Other benefits	1,050	450	425	(25)
Duplicate charges	<u>(719,375)</u>	<u>(699,827)</u>	<u>(694,449)</u>	<u>5,378</u>
Total Public Works	<u>37,862</u>	<u>36,833</u>	<u>27,879</u>	<u>(8,954)</u>
Street Department				
Maintenance - buildings/grounds	1,000	1,200	1,418	218
Maintenance - fixtures	1,500	2,300	3,474	1,174
Maintenance - vehicles/equipment	15,000	11,000	11,938	938
Utilities	16,500	20,000	19,746	(254)
Technical supplies	4,600	7,000	6,410	(590)
Office supplies	250	650	636	(14)
Cleaning supplies	-	160	184	24
Motor fuel/oil	10,000	2,849	2,874	25
Insurance	5,334	5,300	5,300	-
Professional/technical services	1,000	3,500	3,912	412
Street markers	1,000	2,000	1,944	(56)
Miscellaneous	500	100	26	(74)
Total Street Department	<u>56,684</u>	<u>56,059</u>	<u>57,862</u>	<u>1,803</u>
Parks and Cemeteries Department				
Salaries	15,840	14,100	15,515	1,415
Overtime	7,000	2,200	2,413	213
Retirement	1,684	300	395	95
Social security	1,747	2,344	666	(1,678)
Maintenance - buildings/grounds	8,000	5,000	4,279	(721)
Maintenance - fixtures	1,500	2,000	1,893	(107)
Maintenance - vehicles/equipment	8,000	12,000	13,593	1,593
Utilities	16,000	15,011	14,741	(270)
Grave digging expense	-	294	294	-
Technical supplies	2,500	1,900	1,686	(214)
Office supplies	250	1,229	1,273	44
Women's club expenditures	500	400	447	47
Community center expenditures	13,500	11,000	12,624	1,624
Motor fuel/oil	3,200	5,500	5,781	281
Equipment rental	1,000	-	-	-
Insurance	12,416	12,400	12,400	-
Professional/technical services	1,500	1,400	1,508	108
Miscellaneous	500	25	19	(6)
Capital expenditures	<u>28,000</u>	<u>16,000</u>	<u>23,484</u>	<u>7,484</u>
Total Parks and Cemeteries	<u>123,137</u>	<u>103,103</u>	<u>113,011</u>	<u>9,908</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, 2020

	<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	20,000	19,743	(257)
Shop expense	14,000	11,500	10,902	(598)
Postage	300	308	308	-
Delinquent property tax lawsuit expense	40,000	-	-	-
PVA - tax roll	5,000	4,911	4,911	-
Service contracts	16,000	9,500	9,646	146
Audit	8,000	8,000	8,000	-
General liability insurance	12,000	12,672	12,672	-
Chamber of Commerce	1,200	1,200	1,200	-
Airport	4,700	3,187	3,187	-
Library	5,000	5,000	5,000	-
Detention Center meals	20,000	12,750	12,609	(141)
Kentucky Municipal League	850	850	850	-
Purchase area development	500	500	500	-
Contingency	31,500	12,000	8,125	(3,875)
Economic development	7,500	7,500	7,500	-
Total Non-Departmental	<u>168,550</u>	<u>109,878</u>	<u>105,153</u>	<u>(4,725)</u>
Debt Service				
Debt payment			13,648	
Interest on debt			17,222	
Bond fees			2,230	
Total Debt Service	<u>33,100</u>	<u>33,100</u>	<u>33,100</u>	<u>-</u>
Total expenditures	<u>1,922,903</u>	<u>1,823,188</u>	<u>1,788,761</u>	<u>(34,427)</u>
Revenues over (under) expenditures	(182,563)	(490,476)	(300,069)	190,407
Other financing sources (uses)				
Transfers in - payments in lieu of tax	<u>197,920</u>	<u>197,920</u>	<u>197,920</u>	<u>-</u>
Net change in fund balance	<u>\$ 15,357</u>	<u>\$(292,556)</u>	<u>(102,149)</u>	<u>\$ 190,407</u>
Fund balance - July 1, 2019			1,455,504	
Prior period adjustment			<u>16,080</u>	
Fund balance - July 1, 2019, as restated			<u>1,471,584</u>	
Fund balance - June 30, 2020			<u>\$1,369,435</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
MUNICIPAL AID FUND

For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
State municipal aid	\$ 45,000	\$ 140,477	\$ 140,476	\$ (1)
Miscellaneous revenue	-	4,010	4,010	-
Interest	4,416	3,700	3,700	-
Total revenues	<u>49,416</u>	<u>148,187</u>	<u>148,186</u>	<u>(1)</u>
Expenditures				
Maintenance - streets	5,000	300,000	296,051	(3,949)
Advertising		128	96	(32)
Sidewalk repair	<u>18,595</u>	<u>7,500</u>	<u>6,876</u>	<u>(624)</u>
Total expenditures	<u>23,595</u>	<u>307,628</u>	<u>303,023</u>	<u>(4,605)</u>
Net change in fund balance	25,821	(159,441)	(154,837)	4,604
Fund balance - July 1, 2019	<u>196,140</u>	<u>196,140</u>	<u>196,140</u>	<u>-</u>
Fund balance - June 30, 2020	<u>\$221,961</u>	<u>\$ 36,699</u>	<u>\$ 41,303</u>	<u>\$ 4,604</u>

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

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2020

ASSETS

Current assets		
Cash	\$	576,434
Accounts receivable (net)		233,590
Due from general fund		13,175
Prepaid expenses		64,671
Inventory		<u>26,252</u>
Total current assets		914,122
Noncurrent assets		
Restricted assets:		
Cash in bond-related accounts		28,000
Capital assets, net of accumulated depreciation:		
Utility plant in service		<u>10,704,384</u>
Total capital assets		<u>10,704,384</u>
Total assets		<u>11,646,506</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	330,487
Deferred outflows related to other postemployment benefits	<u>153,907</u>
Total deferred outflows of resources	<u>484,394</u>

LIABILITIES

Current liabilities		
Accounts payable	192,024	
Accrued expenses	9,040	
Customer deposits	225,289	
Noncurrent liabilities due within one year	<u>244,348</u>	
Total current liabilities	<u>670,701</u>	
Noncurrent liabilities		
Accrued vacation and sick leave	8,611	
Net pension liability	1,656,228	
Net other postemployment benefit liability	395,813	
Bonds and notes payable, net of current portion	<u>6,287,825</u>	
Total noncurrent liabilities	<u>8,348,477</u>	
Total liabilities	<u>9,019,178</u>	

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	91,117
Deferred inflows related to other postemployment benefits	<u>166,182</u>
Total deferred inflows of resources	<u>257,299</u>

NET POSITION

Net investment in capital assets	4,172,211
Restricted for debt service	28,000
Unrestricted	<u>(1,345,788)</u>
Total net position	<u>\$ 2,854,423</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, 2020

Operating revenues	
Utility sales	\$ 2,249,147
Miscellaneous	<u>74,301</u>
Total operating revenues	2,323,448
Operating expenses	
Personnel/administrative costs	1,138,525
Maintenance	28,560
Utilities	196,840
Maintenance to system	67,498
Gas purchases	279,144
Technical supplies	20,268
Office and cleaning supplies	8,469
Dues and subscriptions	1,326
Motor fuel and oil	20,707
Postage	8,523
Telephone	3,342
Advertising and printing	1,098
Travel and registrations	217
Insurance	45,102
Professional services	93,581
Training	750
Audit expense	7,350
Depreciation	311,882
Dispatch expense	18,333
Miscellaneous	<u>31,868</u>
Total operating expenses	<u>2,283,383</u>
Operating income	40,065
Non-operating revenue (expense)	
Interest earnings	20,104
Interest expense	<u>(161,748)</u>
Total non-operating revenue (expense)	<u>(141,644)</u>
Income (loss) before capital contributions and transfers	(101,579)
Transfer out - payment in lieu of taxes	<u>(197,920)</u>
Change in net position	(299,499)
Net position - July 1, 2019	3,156,647
Prior period adjustments	<u>(2,725)</u>
Net position - July 1, 2019, as restated	<u>3,153,922</u>
Net position - June 30, 2020	<u><u>\$ 2,854,423</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, 2020

Cash Flows from Operating Activities	
Cash received from customers	\$ 2,366,990
Cash payments for employees services and benefits	(988,101)
Cash payments to suppliers	<u>(906,996)</u>
Net cash provided by operating activities	471,893
 Cash Flows from Non-Capital Financing Activities	
Interfund transfers	(197,920)
 Cash Flows from Capital and Related Financing Activities	
Additions to utility plant	\$ (11,304)
Payments on principal of long-term debt	(224,122)
Interest payments on long-term debt	<u>(166,177)</u>
Net cash used by capital and related financing activities	(401,603)
 Cash Flows from Investing Activities	
Interest received	<u>20,104</u>
Net decrease in cash	(107,526)
Cash - July 1, 2019	<u>711,960</u>
Cash - June 30, 2020	<u>\$ 604,434</u>

Cash is reported in the statement of net position as follows:		
	Cash	\$ 576,434
	Restricted cash	<u>28,000</u>
		<u>\$ 604,434</u>

Reconciliation of Cash Flows from Operating Activities	
Operating income	\$ 40,065
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	\$ 311,882
Deferred outflows	(47,513)
Deferred inflows	100,925
Decrease in accounts receivable	7,585
Increase in prepaid expenses	(64,671)
Decrease in accounts payable	(9,349)
Decrease in accrued expenses	(297)
Increase in customer deposits	36,254
Increase in net pension liability	142,055
Decrease in net other postemployment benefit liability	<u>(45,043)</u>
Total adjustments	<u>431,828</u>
Net cash provided by operating activities	<u>\$ 471,893</u>

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

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2020

	Agency		Private Purpose Trust
	Expenditure Revolving Fund	Payroll Fund	Cemetery Trust Fund
Assets			
Cash	\$ 4,217	\$ 1,880	\$ 68,284
Prepaid expenses	-	4,460	-
Total assets	4,217	6,340	68,284
Liabilities			
Perpetual care contributions	-	-	23,726
Accrued payroll and related liabilities	-	3,189	-
Total liabilities	-	3,189	23,726
Net position			
Held in trust for tourism and other purposes	\$ 4,217	\$ 3,151	\$ 44,558

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, 2020

	<u>Private Purpose Trust</u> <u>Cemetery Trust Fund</u>
Additions	
Contributions from general fund	\$ 1,100
Interest	<u>1,718</u>
Total additions	2,818
Deductions	
Maintenance to grounds	<u>1,850</u>
Change in net position	968
Net position - July 1, 2019	<u>43,590</u>
Net position - June 30, 2020	<u>\$ 44,558</u>

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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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 funds:

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

The Municipal Aid Fund accounts for the City's allotment of municipal road aid funds under KRS 177.365 and .366 to be used for construction, reconstruction, and maintenance of city streets.

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.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

This results in recognizing as income the water usage through each respective cycle each month, which may not coincide with the last day of the fiscal year. Non-recognition of income from water sales as a result of cycle billing is a common industry practice. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The cost of purchased water is accrued based on the final meter reading of the fiscal year. This may result in unrecognized expenses for the period between the final billing and the end of the fiscal year. This practice is consistent with industry guidelines and does not differ significantly from generally accepted accounting principles.

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

Cash

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

Receivables and Payables

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

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

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has various items that qualify for reporting in this category. Property taxes reported as receivables 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, 2020

- 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, 2020, the City had restricted fund balance of \$46,612 for Drug and Police Evidence Funds, \$11,786 for alcoholic beverage funds, \$20,640 for unexpended grant funds, \$294,451 for Tourism, and \$41,303 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, 2020, bank deposits of \$694,621 were uninsured and uncollateralized. 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, 2020. The allowance for uncollectible property taxes was \$33,417 at June 30, 2020.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

C. Capital Assets

Governmental capital asset activity for the year ended June 30, 2020, 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
Capital assets, being depreciated				
Buildings	3,844,415	-	-	3,844,415
Improvements	-	32,409	-	32,409
Vehicles and equipment	<u>5,346,798</u>	<u>75,100</u>	-	<u>5,421,898</u>
Total capital assets being depreciated	9,191,213	107,509	-	9,298,722
Less accumulated depreciation for:				
Buildings	2,205,810	64,671	-	2,270,481
Improvements	-	574	-	574
Vehicles and equipment	<u>4,167,903</u>	<u>128,545</u>	-	<u>4,296,448</u>
Total accumulated depreciation	<u>6,373,713</u>	<u>193,790</u>	-	<u>6,567,503</u>
Net capital assets being depreciated	<u>2,817,500</u>	<u>(86,281)</u>	-	<u>2,731,219</u>
Governmental activities capital assets, net	<u>\$ 3,087,420</u>	<u>\$ (86,281)</u>	<u>\$ -</u>	<u>\$ 3,001,139</u>

Depreciation expense was charged to governmental functions as follows:

General	\$ 51,328
Public safety	91,927
Public works	17,771
Highways and streets	7,792
Parks and cemeteries	<u>24,972</u>
Total - governmental activities	<u>\$ 193,790</u>

Business-type capital asset activity for the year ended June 30, 2020, is summarized below:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balance</u>			<u>Balance</u>
Capital assets, being depreciated				
Utility plant in operation	\$ 16,646,345	\$ 11,304	\$ -	\$ 16,657,649
Less accumulated depreciation	<u>5,641,383</u>	<u>311,882</u>	-	<u>5,953,265</u>
Utility plant in operation, net	<u>11,004,962</u>	<u>(300,578)</u>	-	<u>10,704,384</u>
Business-type capital assets, net	<u>\$ 11,004,962</u>	<u>\$ (300,578)</u>	<u>\$ -</u>	<u>\$ 10,704,384</u>

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

D. Long-Term Debt

The City issued Kentucky Rural Water Finance Corporation (KRWFC) Public Projects Refunding and Improvement Revenue Bonds, Series 2013C, as of March 27, 2013, for \$840,000. The refunding bonds have interest rates that vary from 2.3% to 4.8% and the maturity date is February 1, 2027. Monthly payments of principal and interest vary in accordance with the payment schedule included in the bond document. The balance outstanding at June 30, 2020, was \$465,500.

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, 2020, 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, 2020, was \$952,278. 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, 2020, was \$5,708,750. The lease payments are being paid 89.19% from the Water Fund and 10.81% from the General Fund.

The following is a summary of estimated future debt service requirements as of June 30, 2020:

Year Ending June 30,	Government Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 15,494	\$ 16,949	\$ 244,348	\$ 164,812
2022	17,656	16,639	265,512	159,391
2023	19,818	16,286	283,762	153,136
2024	21,980	15,889	304,097	146,330
2025	24,368	15,450	329,211	139,210
2026-2030	162,826	67,611	1,764,467	583,369
2031-2035	252,233	39,394	2,378,826	334,638
2036-2037	102,871	4,245	939,059	35,716
Totals	\$ 617,246	\$ 192,463	\$ 6,509,282	\$ 1,716,602

CITY OF FULTON, KENTUCKY
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June 30, 2020

Changes in long-term liabilities for the year ended June 30, 2020, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
KY Bond Corporation, 2016C series	\$ 630,894	\$ -	\$ 13,648	\$ 617,246	\$ 15,494
Bond discount, net of amortization	(1,859)	-	(110)	(1,749)	n/a
Compensated absences	89,235	5,757	-	94,992	n/a
Total for governmental activities	<u>\$ 718,270</u>	<u>\$ 5,757</u>	<u>\$ 13,538</u>	<u>\$ 710,489</u>	<u>\$ 15,494</u>
Business-type activities:					
KRWFC bonds, 2013B series	\$ 523,000	\$ -	\$ 57,500	\$ 465,500	\$ 62,083
Bond premium being amortized	42,649	-	5,331	37,318	n/a
KIA Infrastructure loan	1,006,298	-	54,020	952,278	54,426
KY Bond Corporation, 2016C series	5,204,106	-	112,602	5,091,504	127,839
Bond discount being amortized	(15,329)	-	(902)	(14,427)	n/a
Compensated absences	8,611	-	-	8,611	n/a
Total for business-type activities	<u>\$ 6,769,335</u>	<u>\$ -</u>	<u>\$ 228,551</u>	<u>\$ 6,540,784</u>	<u>\$ 244,348</u>

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

E. Interfund Receivables, Payables, and Transfers

There was \$13,175 due from the General Fund to the Utility Fund for interest on 2016 bonds. The transfer of \$197,920 from the Utility Fund to the General Fund is the annual in-lieu-of-tax payment.

F. Prior Period Adjustments

During the current year, it was determined that the Tourism Fund was being incorrectly reported as a fiduciary fund, rather than a special revenue fund. Beginning fund balance reported for the City's nonmajor governmental funds was increased by \$281,293 as was the City's beginning net position in governmental activities.

In addition, small prior year balances between the primary government and the City's fiduciary funds were written off. Beginning fund balance in the General Fund was increased by \$16,080; beginning net position in the Utility Fund was decreased by \$2,725; beginning balances in the agency-type fiduciary funds were decreased by \$8,459; and beginning payroll liabilities were reduced by \$4,896.

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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June 30, 2020

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

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

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

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

Contributions. The contribution requirements of Plan members and the City are established by state statute. Employee contributions for nonhazardous employees who began participating with KRS prior to September 1, 2008, contribute 5% of their creditable compensation to KRS. Those who began on or after September 1, 2008, contribute a total of 6% of all their creditable compensation to KRS. One percent of each employee's contribution is deposited to the KRS Pension Fund 401(h) account for the payment of health insurance benefits. If a member terminates his/her employment and applies to take a refund, the member is entitled to a full refund of contributions and interest in his/her account; however, the 1% contributed to the 401(h) account is non-refundable and is forfeited. Plan members who began participating on or after January 1, 2014, were required 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 2020 were adopted by the Board of KRS based on actuarially recommended rates. For the year ended June 30, 2020, the City's covered payroll was \$1,197,401. 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, 2020, was 19.30%. The City's contributions to the Plan for the year ended June 30, 2020, were \$231,098.

Pension Liabilities. At June 30, 2020, the City reported a liability of \$3,331,553 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018. 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, 2019, the City's proportion was 0.047370 percent. At June 30, 2018, the City's proportion was 0.049861 percent.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Pension Expense. For the year ended June 30, 2020, the City recognized pension expense of \$543,285.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, 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	\$ -	\$ 53,706
Changes in assumptions	337,191	-
Differences between expected and actual experience	85,065	14,077
Changes in proportion and differences between City contributions and proportionate share of contributions	11,431	115,502
Contributions subsequent to the measurement date of June 30, 2019	231,098	<i>(not applicable)</i>
Total	\$ 664,785	\$ 183,285

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, 2020. 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:	
2020	\$189,763
2021	38,220
2022	18,607
2023	3,812

Actuarial Methods and Assumptions. The total pension liability, net pension liability, and sensitivity information as of June 30, 2019, were based on an actuarial valuation date of June 30, 2018, rolled-forward from the valuation date to the measurement date of June 30, 2019, using generally accepted actuarial principles. The Board of Trustees adopted new actuarial assumptions subsequent to June 30, 2018. The total pension liability as of June 30, 2019, is determined using these updated assumptions. Key actuarial assumptions are as follows:

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

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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

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

Asset Class	Target Allocation	Long- term Expected Real Rate of Return
Growth	62.50%	
U.S. equity	18.75%	4.30%
Non-U.S. equity	18.75%	4.80%
Private equity	10.00%	6.65%
Specialty credit/High yield	15.00%	2.60%
Liquidity	14.50%	
Core bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real return	<u>15.00%</u>	4.10%
Total	100.00%	

Discount Rate. The single discount rate of 6.25% was based on the expected rate of return on plan investments. The projection of cash flows assumes that the plan will receive the required employer contributions each future year as determined by the current funding policy established in the Statute as last amended by House Bill 362, passed in 2018. Based on these assumptions, the plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return was applied to all periods of the projected benefit payments to determine the total pension liability. The discount rate determination does not use a municipal bond rate.

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

Net pension liability	1% Decrease	Current Discount Rate	1% Increase
As of June 30, 2020	\$ 4,166,828	\$ 3,331,553	\$ 2,635,360

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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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.

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.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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, 2020, was 4.76 percent of covered payroll and contributions paid were \$56,997. 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, 2020, KRS reported an implicit subsidy of \$17,119.

OPEB liability. At June 30, 2020, the City reported a liability of \$797,297 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on employers' actual contributions for FY 2019. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2019, the City's proportion was 0.047403 percent. At June 30, 2018, the City's proportion was 0.049859 percent.

Actuarial assumptions. The Board of Trustees adopted new actuarial assumptions subsequent to June 30, 2018. The total pension liability as of June 30, 2019, is determined using these updated assumptions. The following actuarial assumptions were used:

Inflation	2.30%
Payroll growth rate	2.00%
Salary increases	3.30% to 10.30%, varies by service
Investment rate of return	6.25%
Healthcare cost trend rates	
Pre-65	7.0% at January 1, 2020, decreasing gradually to an ultimate trend rate of 4.05% over a period of 12 years
Post-65	5.0% at January 1, 2020, decreasing gradually to an ultimate trend rate of 4.05% over a period of 10 years

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

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

The long-term expected rate of return on OPEB plan investments used to determine the discount rate is the same rate used by the Kentucky Retirement Systems (KRS) County Employees Retirement System (CERS) pension plan, which was 6.25% for 2019.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Discount rate. The discount rate used to measure the total OPEB liability was 5.68%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.13% as reported in Fidelity's *20-Year Municipal GO AA Index* as of June 30, 2019. 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 (4.68 percent) or 1-percentage-point higher (6.68 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$1,068,050	\$797,297	\$ 574,215

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

	1% Lower	Current Healthcare Trend Rate	1% Higher
Net OPEB liability	\$ 592,954	\$797,297	\$1,045,087

OPEB expense and deferred outflows and inflows of resources related to OPEB. For the year ended June 30, 2020, the City recognized CERS OPEB expense of \$75,708.

At June 30, 2020, 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	\$ -	\$ 35,412
Changes in assumptions	235,928	1,578
Differences between expected and actual experience	-	240,563
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	57,192
Contributions subsequent to the measurement date ¹	74,037	-
Total	\$ 309,965	\$ 334,745

¹ must include implicit subsidy of \$17,119 per KRS

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020. 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:	
2020	\$(17,672)
2021	(17,672)
2022	(6,413)
2023	(27,954)
2024	(24,345)
Thereafter	(4,762)

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

C. Risk Management

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

D. Subsequent Event

The COVID-19 pandemic developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home).

Our business and financial results were not affected significantly prior to June 30, 2020; however, we have seen the collections on utility billings deteriorate since the fiscal year ended. We have begun to step up our efforts in collecting these outstanding revenues. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people.

CITY OF FULTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

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	\$1,242,844
Proportionate share of the net pension liability as percentage of covered payroll	141.55%	184.19%	205.89%	240.40%	244.33%
Plan fiduciary net position as percentage of the total pension liability	66.80%	59.97%	55.50%	53.30%	53.54%
	<u>2019</u>				
City of Fulton's proportion of the collective net pension liability	.047370%				
City of Fulton's proportionate share of the net pension liability	\$3,331,553				
City of Fulton's covered payroll	\$1,190,906				
Proportionate share of the net pension liability as percentage of covered payroll	279.75%				
Plan fiduciary net position as percentage of the total pension liability	50.45%				

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

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

See independent auditor's report

CITY OF FULTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

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

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

CITY OF FULTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

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>	<u>2020</u>			
Statutorily determined contributions	\$ 193,165	\$ 231,098			
Contributions in relation to the statutorily determined contribution	<u>193,165</u>	<u>231,098</u>			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>			
City of Fulton's covered payroll	\$ 1,190,906	\$ 1,197,401			
City of Fulton's contributions as a percentage of covered payroll	16.22%	19.30%			

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
Payroll growth rate	2.0 percent, average
Investment rate of return	6.25 percent
Salary increases	3.30 percent to 11.55 percent, varies by service
Mortality	RP-2000 Combined Mortality Table, Scale BB projected to 2013

See independent auditor's report

CITY OF FULTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

**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>	<u>2019</u>
District's proportion of the collective net OPEB liability	.051082%	.049859%	.047403%
District's proportionate share of the net OPEB liability	\$ 1,026,923	\$ 885,237	\$ 797,297
District's covered-employee payroll	\$ 1,243,734	\$ 1,242,844	\$ 1,190,906
District's proportionate share of net OPEB liability as a percent of its covered-employee payroll	82.57%	74.33%	74.33%
Plan fiduciary net position as a percent of total OPEB liability	52.40%	57.62%	60.44%

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

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

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

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

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The salary increase assumption was changed from 4.0% to zero.
- The single discount rate changed from 6.90% to 5.83%.

CITY OF FULTON, KENTUCKY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

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>	<u>2020</u>
Statutorily determined contributions	\$ 58,829	\$ 58,414	\$ 62,565	\$ 56,997
Contributions in relation to the statutorily determined contribution	<u>58,829</u>	<u>58,414</u>	<u>62,565</u>	<u>56,997</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401
District's contributions as a percentage of covered-employee payroll	4.73%	4.70%	5.26%	4.76%

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	26 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll growth rate	2.00 percent
Inflation	2.30 percent
Salary increase	3.30 percent to 11.55 percent, varies by service
Investment rate of return	6.25 percent
Mortality rates	RP-2000 Combined Mortality Table projected to 2013, with Scale BB
Healthcare cost trend rates	
Pre-65	7.25 percent, decreasing gradually to an ultimate rate of 4.05 percent over a period of 13 years
Post-65	5.10 percent, decreasing gradually to an ultimate rate of 4.05 percent over a period of 11 years

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SUPPLEMENTARY AND OTHER INFORMATION SECTION

**CITY OF FULTON, KENTUCKY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2020**

	Special Revenue Funds		
	Tourism Fund	Ambulance Fund	Total
Assets			
Cash in banks	\$ 295,334	\$ -	\$ 295,334
Total assets	<u>\$ 295,334</u>	<u>\$ -</u>	<u>\$ 295,334</u>
Liabilities			
Accounts payable	\$ 883	\$ -	\$ 883
Fund balances			
Restricted	<u>294,451</u>	<u>-</u>	<u>294,451</u>
Total liabilities and fund balances	<u>\$ 295,334</u>	<u>\$ -</u>	<u>\$ 295,334</u>

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CITY OF FULTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	<u>Special Revenue Funds</u>		
	<u>Tourism Fund</u>	<u>Ambulance Fund</u>	<u>Total</u>
Revenues			
Local taxes	\$ 85,074	\$ -	\$ 85,074
Charges for services	59,456		59,456
Interest income	7,230	-	7,230
Miscellaneous	5	-	5
Total revenues	<u>151,765</u>	<u>-</u>	<u>151,765</u>
Expenditures			
Clerical services	17,500	-	17,500
Office supplies	76	-	76
Fourth of July/Christmas	27,547	-	27,547
Utilities and telephone	2,124	-	2,124
Travel	460	-	460
Festival expenses	75,081	-	75,081
Advertising	195	-	195
Donation	-	135,438	135,438
Capital outlay	13,512	-	13,512
Park expenditures	<u>2,112</u>	<u>-</u>	<u>2,112</u>
Total expenditures	<u>138,607</u>	<u>135,438</u>	<u>274,045</u>
Net change in fund balances	13,158	(135,438)	(122,280)
Fund balances - July 1, 2019	-	135,438	135,438
Prior period adjustment	<u>281,293</u>	<u>-</u>	<u>281,293</u>
Fund balances - July 1, 2019, as restated	<u>281,293</u>	<u>135,438</u>	<u>416,731</u>
Fund balances - June 30, 2020	<u>\$ 294,451</u>	<u>\$ -</u>	<u>\$ 294,451</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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Hotel tax - City of Fulton	\$ 8,100	\$ 11,000	\$ 10,810	\$ (190)
Restaurant tax	83,000	70,000	74,264	4,264
Interest	4,416	7,200	7,230	30
Festival income	51,000	60,000	59,456	(544)
Miscellaneous	500	5	5	-
Total revenues	<u>147,016</u>	<u>148,205</u>	<u>151,765</u>	<u>3,560</u>
Expenditures				
Clerical services	17,500	17,500	17,500	-
Special projects	5,000	-	-	-
Lohaus Field	6,500	2,100	2,112	12
Office supplies	200	-	-	-
Fourth of July/Christmas	18,500	26,000	27,547	1,547
Telephone	1,800	2,000	2,124	124
Advertising/printing	1,000	500	195	(305)
Travel	2,000	500	460	(40)
Festival expenses	90,000	80,000	75,081	(4,919)
Capital outlay	2,700	14,000	13,512	(488)
Postage	200	101	76	(25)
Total expenditures	<u>145,400</u>	<u>142,701</u>	<u>138,607</u>	<u>(4,094)</u>
Net change in fund balance	1,616	5,504	13,158	7,654
Fund balance - July 1, 2019	<u>281,293</u>	<u>281,293</u>	<u>281,293</u>	<u>-</u>
Fund balance - June 30, 2020	<u>\$ 282,909</u>	<u>\$ 286,797</u>	<u>\$ 294,451</u>	<u>\$ 7,654</u>

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CITY OF FULTON, KENTUCKY
SCHEDULE OF STATE ASSISTANCE
For the Year Ended June 30, 2020

<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, 2020

GOVERNMENTAL LONG-TERM DEBT

Year Ended	Kentucky Bond Corporation Financing Program Revenue Bonds - Series 2016C		Total Debt Service
	Principal	Interest	
	2021	\$ 15,494	
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	\$ 617,246	\$ 192,463	\$ 809,709

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	
	2021	\$ 62,083	\$ 17,933	\$ 127,839	\$ 139,839	\$ 54,426	
2022	65,000	15,478	145,677	137,282	54,835	6,631	424,903
2023	65,000	12,548	163,515	134,369	55,247	6,219	436,898
2024	67,082	9,428	181,353	131,098	55,662	5,804	450,427
2025	72,081	6,353	201,049	127,471	56,081	5,386	468,421
2026	72,915	3,644	221,489	123,339	56,502	4,964	482,853
2027	61,339	1,347	243,043	118,511	56,927	4,540	485,707
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	\$ 465,500	\$ 66,731	\$ 5,091,504	\$ 1,587,952	\$ 952,278	\$ 61,919	\$ 8,225,884

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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, 2020, 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 17, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this 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 item 2020-001, 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Fulton's Response to Findings

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
November 17, 2020

CITY OF FULTON, KENTUCKY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2020

2020-001 Failure to Close Books and Reconcile Accounts

Condition: During our testing of cash, we noted that the City's books for the fiscal year ended June 30, 2020, were not closed in a timely manner. The Utility Fund bank account had not been reconciled since October 2019, and fiscal year activity for the Drug Fund checking and savings accounts, Pistol Shoot account, and Police Evidence checking account had not been recorded.

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

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

Recommendation: The City's management should ensure that all accounts are reconciled 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 to keep all the City's financial records up to date.

Response: *The City will reconcile all accounts to the general ledger monthly and keep the financial records up to date.*