

**CITY OF FULTON, KENTUCKY**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**June 30, 2021**

**CITY OF FULTON, KENTUCKY  
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## **FINANCIAL SECTION**



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## 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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2021 the City adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules related to pensions and other postemployment benefits as listed in the table of contents 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, Schedule of Expenditures of Federal Awards, 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, Schedule of Expenditures of Federal Awards, 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, Schedule of Expenditures of Federal Awards, 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 December 29, 2021, 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  
December 29, 2021



## 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, 2021.

### 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 \$5.2 million (*net position*). This represents an increase of \$201 thousand from the prior year. This increase was due to a \$161 thousand net increase from current year operations and a \$40 thousand adjustment added directly to net position, mainly attributable to a restatement of beginning net position to correctly report the City's prior year fiduciary funds as governmental funds in accordance with new governmental accounting standards for fiduciary funds effective as of July 1, 2020. Of the total net position, \$6.4 million represents the City's investment in capital assets, net of related debt, and \$1 million is restricted, resulting in negative unrestricted net position of \$2.2 million as of June 30, 2021.
- As of the close of the current fiscal year, the City's general fund reported an ending fund balance of \$1.8 million, which includes an increase of \$430 thousand from current year operations in comparison with the prior year and an increase of \$7 thousand from the restatement of prior fiduciary funds, as described above. Of the total fund balance, \$1.3 million is available for spending at the City's discretion (*unassigned fund balance*).
- The City's governmental activities had a net increase of \$147 thousand from operations, and business-type activities had a net increase of \$14 thousand, for a total increase of \$161 thousand from operations for the current fiscal year.

Through the work of department heads and their staff, the City had a very productive FYE 2021 despite the COVID-19 pandemic. Below is an update of the projects started or completed this last year were:

1. Continue to cross training program to accommodate, the skill knowledge loss secondary to retirements that are coming in the next five years in key positions throughout the City.
2. Develop a plan to incentivize residential property development.
3. Develop a plan and collaborate with Fulton Industrial Development Board, Fulton Hickman County Economic Development Board, Twin Cities Chamber Board to recruit and retain commercial business.

4. Develop a tourism strategy for the City through collaboration with Tourism Commission & community input. Utilize the Tourism Commission to fund and promote new entryways into the City, making them more inviting.
5. Develop a plan to cut energy cost throughout the City. A major focus will be at the wastewater lagoon.
6. Take an active role on the State and Federal level to complete the I-69 project.
7. Continue to enhance Code Enforcement, while encouraging properties to become more compliant, sustainable, and safe. Continue working to decrease the mowing of vacant properties that are not owned by the City.
8. Update the City's Comprehensive Plan and have it passed by the Commission.
9. Develop a Master Plan for the City by using the comprehensive plan, input from the public and business leaders.
10. Begin to explore funding options to start implementing the Parks master Plan by focusing on safety and making our Parks more of a place for all citizens to enjoy and a draw to pull visitors to the city.
11. Implement and review practices, policies, and procedures to become more fair, consistent, and efficient in our spending.
12. Complete updating the City's Personnel Policy and have it adopted by the Commission.
13. Continually analyze the budget to ensure that we are operating fiscally responsible and redirecting spending to be more efficient.
14. Develop a capital project list, rank priorities and be able to plan for needed future revenue to cover expenditures. Utilizing fleet, equipment, rotational/replacement policies to meet the need so that spending on infrastructure is manageable and not an emergency.
15. Begin search for funding for the Farmer's Market Project. Follow up and continue the vision of the Artisan Village in connection with this project.
16. Begin the work to achieve the status of an "Ethics Certified" City by Kentucky League of Cities.
17. Continue planning/implementing the improvement of streets, sidewalks, and water drainage throughout the City.

## **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, which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

### **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 \$5.2 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 (20%) 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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 2,690,615	\$ 2,052,737	\$ 1,049,345	\$ 942,122	\$ 3,739,960	\$ 2,994,859
Capital assets	2,864,518	3,001,139	10,393,392	10,704,384	13,257,910	13,705,523
Total assets	<u>5,555,133</u>	<u>5,053,876</u>	<u>11,442,737</u>	<u>11,646,506</u>	<u>16,997,870</u>	<u>16,700,382</u>
Deferred outflows of resources	<u>843,645</u>	<u>490,356</u>	<u>230,783</u>	<u>484,394</u>	<u>1,074,428</u>	<u>974,750</u>
Long-term liabilities	3,526,242	2,787,298	8,191,184	8,592,825	11,717,426	11,380,123
Other liabilities	96,162	58,017	458,943	426,353	555,105	484,370
Total liabilities	<u>3,622,404</u>	<u>2,845,315</u>	<u>8,650,127</u>	<u>9,019,178</u>	<u>12,272,531</u>	<u>11,864,493</u>
Deferred inflows of resources	<u>429,067</u>	<u>550,262</u>	<u>166,949</u>	<u>257,299</u>	<u>596,016</u>	<u>807,561</u>
Net investment in capital assets	2,264,535	2,385,642	4,110,284	4,172,211	6,374,819	6,557,853
Restricted net position	987,446	414,792	28,000	28,000	1,015,446	442,792
Unrestricted net position	(904,674)	(651,779)	(1,281,839)	(1,345,788)	(2,186,513)	(1,997,567)
Total net position	<u>\$ 2,347,307</u>	<u>\$ 2,148,655</u>	<u>\$ 2,856,445</u>	<u>\$ 2,854,423</u>	<u>\$ 5,203,752</u>	<u>\$ 5,003,078</u>

**Statement of Activities** – Revenues from governmental activities exceeded expenditures by \$147 thousand during the current year. The main difference in revenue from the prior year was the increase in alcoholic beverage control regulatory fees. The City paid \$338,552 in ABC fee refunds during the 2020 fiscal year. Expenses decreased by \$207 thousand, with the largest decrease in highways and streets due to the prior year’s paving project. Public works expenditures increased by \$261 thousand because the City reevaluated the personnel cost reimbursement transfer from the utility fund to the general fund.

This resulted in the general fund being responsible for a larger portion of the public works personnel costs.

In business-type activities, revenues exceeded expenses by \$14 thousand, which was once again an improvement from the prior year. Service revenues increased by \$76 thousand because the City had increased gas and water sales to residential customers. Almost all of the rental properties in Fulton are full and more people were home due to COVID. Expenditures decreased by \$229 thousand from the prior year due to the shifting of public works personnel costs described in the preceding paragraph.

A condensed statement of activities for the years ended June 30, 2021 and 2020, is presented below.

**CONDENSED STATEMENT OF ACTIVITIES**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Program revenues</b>						
Charges for services	\$ 142,170	\$ 181,365	\$ 2,399,046	\$ 2,323,448	\$ 2,541,216	\$ 2,504,813
Operating grants/contributions	315,362	205,224	-	-	315,362	205,224
Capital grants/contributions	-	-	-	-	-	-
	<u>457,532</u>	<u>386,589</u>	<u>2,399,046</u>	<u>2,323,448</u>	<u>2,856,578</u>	<u>2,710,037</u>
<b>Expenses</b>						
General government	247,287	238,353	-	-	247,287	238,353
Public safety	1,488,465	1,576,523	-	-	1,488,465	1,576,523
Public works - general	315,440	54,503	-	-	315,440	54,503
Highways and streets	77,534	368,677	-	-	77,534	368,677
Parks and cemeteries	115,401	119,233	-	-	115,401	119,233
Tourism	59,055	125,180	-	-	59,055	125,180
Utilities	-	-	2,215,633	2,445,131	2,215,633	2,445,131
Non-departmental	97,333	124,715	-	-	97,333	124,715
Total expenses	<u>2,400,515</u>	<u>2,607,184</u>	<u>2,215,633</u>	<u>2,445,131</u>	<u>4,616,148</u>	<u>5,052,315</u>
Net program revenue (expense)	(1,942,983)	(2,220,595)	183,413	(121,683)	(1,759,570)	(2,342,278)
<b>General revenues</b>						
Taxes and licenses	1,830,157	1,332,489	-	-	1,830,157	1,332,489
Other	70,141	69,565	19,645	20,104	89,786	89,669
Transfers	189,412	197,920	(189,412)	(197,920)	-	-
Change in net assets	<u>146,727</u>	<u>(620,621)</u>	<u>13,646</u>	<u>(299,499)</u>	<u>160,373</u>	<u>(920,120)</u>
Beginning net assets	2,148,655	2,471,903	2,854,423	3,156,647	5,003,078	5,628,550
Prior period adjustments	51,925	297,373	(11,624)	(2,725)	40,301	294,648
Beginning net assets as restated	<u>2,200,580</u>	<u>2,769,276</u>	<u>2,842,799</u>	<u>3,153,922</u>	<u>5,043,379</u>	<u>5,923,198</u>
Ending net assets	<u>\$ 2,347,307</u>	<u>\$ 2,148,655</u>	<u>\$ 2,856,445</u>	<u>\$ 2,854,423</u>	<u>\$ 5,203,752</u>	<u>\$ 5,003,078</u>

**COMMENTS ON FUND FINANCIAL STATEMENTS**

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

The General Fund accounts for 92% of governmental fund revenues. Accordingly, this discussion will focus on the General Fund. General fund balance was \$1.8 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 \$674 thousand more than last year due mainly to increases in Alcoholic Beverage Control fees and federal funds received for COVID-19 expenditures. Property taxes and payroll tax revenues also increased from the prior year.

**Proprietary funds** – Unrestricted net position in the proprietary fund at the end of the year was a deficit of \$1.3 million, approximately the same as last year due to the \$14 thousand net income from utility operations during the current year. Utility sales increased \$93 thousand due to increased gas and water sales, and operating expenses decreased by \$239 thousand, mainly in personnel/administrative costs due to the shifting of public works personnel costs (see business-type activities discussion at the top of the preceding page).

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### **Final Budgeted and Actual Amounts**

Actual revenues were \$120 thousand more than budgeted amounts. This was mainly attributable to property tax collections and payroll tax revenue received. Total expenditures were \$80 thousand less than budgeted amounts.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** – As of June 30, 2021, the City had invested approximately \$13.3 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 million and a loan with Kentucky Infrastructure Authority with a balance of \$898 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 budget for fiscal year end 2022 is balanced and supports the policies and priorities of the City. This year's budget process 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 the short fall in the utility budget. Once these requests were completed and submitted, the City Financial Officer and City Manager were able to formulate a plan to balance the budget, by identifying pitfalls in the budget, past trending, and line by line examination of expenditures.

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.

- The General Fund Budget for FYE 2022 is balanced with a projected surplus of \$775.
- Reviews of all expenditure line items have been completed by staff to ensure efficiency in contracts and fixed cost.
- Reviews of equipment rotation and maintenance schedules have been reviewed and the budget more accurately reflects those costs.

- Costs have been refined to reflect departmental expenses while maintaining current service levels more accurately.
- The General Fund cost-of-living adjustment (COLA) for FYE 2022 is included in the budget and staff recommends budgeting a 2.0 percent COLA for FYE 2022.
- Health care cost increased for FY 2022 \$19,574 and staff recommends no cost increase for employees which is reflected in the proposed budget.
- Vacation buyout policy freeze was completed for FYE 2021. Staff recommends lifting the freeze for FY 2022 and it has been calculated into the salaries budget.
- Retirement contributions have increased for FYE 2022 a total of \$41,485. Staff expects to see approximately the same amount for FYE 2023 with contribution rates projected to flatten after that.
- We are changing life insurance carriers after quotes came in for service. This equates to a budgetary savings of \$2500 at no loss of coverage for the employees.
- The General Fund reflects a \$10,000 dollar increase in expenditures to funds paid to the County for 911 dispatch services bringing that total to \$70,000.
- American Rescue Plan funds are estimated to be \$549,126 and be paid in two payments (tranches) of \$274,563. There are extremely specific things it can be spent on. If it is not spent in three years, it will have to be returned.
- The Utility Fund Budget for FYE 2022 is balanced with a projected surplus of \$13,550.
- Water Department with the projected revenue from the rate increase remains in a deficit state of \$101,178, including its share of the loan/bond expenses and depreciation.
- Sewer Department with the projected revenue from the rate increase remains in a deficit state of \$58,325, including its share of the loan/bond principal expenses & depreciation.
- Gas Department with projected revenue remains funded with a \$113,343 surplus, including its share of the loan/bond principal expenses.
- Capital expenditures have been removed from the budget. City Manager recommends using unappropriated reserves to make capital purchases during the next fiscal year, ranked as follows:
  - 1) \$45,000 Work truck with bed split between GF & UTF.
  - 2) \$45,000 for 2 used patrol vehicles for the PD.
  - 3) \$12,000 Rescue Air Bag Replacement Set for FD
  - 4) \$50,000 Pump drive B lift station UTF.
  - 5) \$30,000 replacement of the FD Radio repeater and locating it back to the FD tower antennae.
  - 6) \$30,986 Ford F250 4x4 to replace 1181 at the FD and use the Chevrolet 1500 for Code Enforcement.
  - 7) \$50,000 50 HP Tractor for Streets & Parks GF

Some of the FYE 2022 goals and priorities include, in no particular order:

- Continue to cross training program to accommodate, the retirements that are coming in the next five years in key positions throughout the City.
- Develop a plan to recruit and retain adequate housing for the community.
- Develop a plan through collaborate with Fulton Industrial Development Board, Fulton Hickman County Economic Development Board, Twin Cities Chamber Board, Fulton Tourism Commission and Alchemy recruit, retain and market business/tourism in Fulton.

- Develop a plan to cut energy cost throughout the City. A major focus will be at the wastewater lagoon.
- Take an active role on the State and Federal level to complete the I-69 project. Pursue a partnership with the City of Henderson on Gateway Project Push
- Be more aggressive with Code Enforcement, while encouraging properties to become more compliant, sustainable, and safe. Continue working to decrease the mowing of vacant properties that are not owned by the City.
- Update the City's Comprehensive Plan through collaboration with Citizens and Alchemy.
- Continue to seek funding options to start implementing the Parks master Plan by focusing on safety and making our Parks more of a place for all citizens to enjoy and a draw to pull visitors to the city. Possibly look at funding mechanisms available to the City on a local level.
- Implement and review practices, policies, and procedures to become more fair, consistent, and efficient in our spending.
- Complete the City's Personnel Policy update and have it adopted by the Commission with all employees being trained on the policy.
- Continually analyze the budget to ensure that we are operating fiscally responsible and redirecting spending to be more efficient.
- Complete the Farmer's Market Project. Follow up and continue the vision of the Artisan Village in connection with this project.
- Achieve the status of an "Ethics Certified City" by Kentucky League of Cities.
- Inventory all sidewalks and develop a master sidewalk plan for the City.
- Inventory all streets and develop a master street plan for the City.
- Explore the option of setting an Entertainment Destination Center Zone (EDC) in downtown Fulton.
- Foster necessary steps to develop an essential workforce through collaboration with education, financial and other partners.

The City General Fund continues to be financially sound from an operations perspective only. We will need to look at some increases for the next fiscal year. The City Utility Fund with the adoption of this budget and the 2% rate increase per year is projected to be on a more stable financial status again from an operational perspective only. This budget contains \$50,000 in depreciation for the General Fund and \$311,980 depreciation for the Utility fund.

## **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, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 1,558,928	\$ 770,877	\$ 2,329,805
Taxes receivable, net of allowance	300,589	-	300,589
Accounts receivable, net of allowance	-	219,511	219,511
Other taxes receivable	202,091	-	202,091
Due from other governments	101,958	-	101,958
Prepaid expense	27,808	4,705	32,513
Inventory	-	26,252	26,252
Restricted assets:			
Cash and cash equivalents	499,241	28,000	527,241
Capital assets not being depreciated			
Land and improvements	269,920	-	269,920
Capital assets, net of accumulated depreciation			
Buildings	1,515,124	-	1,515,124
Improvements	29,674	-	29,674
Vehicles and equipment	1,049,800	-	1,049,800
Utility plant in service	-	10,393,392	10,393,392
Total assets	<u>5,555,133</u>	<u>11,442,737</u>	<u>16,997,870</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	515,680	48,324	564,004
Deferred outflows related to other postemployment benefits	327,965	182,459	510,424
Total deferred outflows of resources	<u>843,645</u>	<u>230,783</u>	<u>1,074,428</u>
<b>Liabilities</b>			
Accounts payable	49,874	213,661	263,535
Other accrued liabilities	-	9,566	9,566
Customer deposits	13,148	235,714	248,862
Unearned revenue - grants	33,140	-	33,140
Noncurrent liabilities:			
Net pension liability	2,140,632	1,444,747	3,585,379
Net other postemployment benefits liability	673,741	454,719	1,128,460
Long-term liabilities due within one year	17,656	265,512	283,168
Long-term liabilities due in more than one year	694,213	6,026,207	6,720,420
Total liabilities	<u>3,622,404</u>	<u>8,650,126</u>	<u>12,272,530</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property taxes	267,079	-	267,079
Deferred inflows related to pensions	48,612	32,809	81,421
Deferred inflows related to other postemployment benefits	113,376	134,140	247,516
Total deferred inflows	<u>429,067</u>	<u>166,949</u>	<u>596,016</u>
<b>Net Position</b>			
Net investment in capital assets	2,264,535	4,110,284	6,374,819
Restricted	987,446	28,000	1,015,446
Unrestricted	(904,674)	(1,281,839)	(2,186,513)
Total net position	<u>\$ 2,347,307</u>	<u>\$ 2,856,445</u>	<u>\$ 5,203,752</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, 2021

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
<b>Governmental activities:</b>							
General government	\$ 247,287	\$ -	\$ -	\$ -	\$ (247,287)	\$ -	\$ (247,287)
Public safety	1,488,465	61,178	270,307	-	(1,156,980)	-	(1,156,980)
Public works - general	315,440	1,006	-	-	(314,434)	-	(314,434)
Highways and streets	77,534	39,605	45,055	-	7,126	-	7,126
Parks and cemeteries	115,401	21,350	-	-	(94,051)	-	(94,051)
Tourism	59,055	19,031	-	-	(40,024)	-	(40,024)
Non-departmental	78,181	-	-	-	(78,181)	-	(78,181)
Debt service expenses	19,152	-	-	-	(19,152)	-	(19,152)
Total governmental activities	2,400,515	142,170	315,362	-	(1,942,983)	-	(1,942,983)
<b>Business-type activities:</b>							
Public utilities	2,215,633	2,399,046	-	-	-	183,413	183,413
Total	\$ 4,616,148	\$ 2,541,216	\$ 315,362	\$ -	(1,942,983)	183,413	(1,759,570)
<b>General revenues:</b>							
Property taxes					466,681	-	466,681
Franchise taxes					18,732	-	18,732
Alcoholic beverage control regulatory fees					405,587	-	405,587
Payroll taxes					738,713	-	738,713
Insurance premium tax					70,492	-	70,492
Hotel and restaurant taxes					99,777	-	99,777
Business and other licenses					30,175	-	30,175
Interest					44,969	19,645	64,614
Gain on disposition of assets					13,960	-	13,960
Miscellaneous					11,212	-	11,212
Transfers					189,412	(189,412)	-
Total general revenues and transfers					2,089,710	(169,767)	1,919,943
<b>Change in net position</b>					<b>146,727</b>	<b>13,646</b>	<b>160,373</b>
Net position - beginning					2,148,655	2,854,423	5,003,078
Restatements/Prior period adjustments					51,925	(11,624)	40,301
Net position - beginning, as restated					2,200,580	2,842,799	5,043,379
Net position - ending					\$ 2,347,307	\$ 2,856,445	\$ 5,203,752

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



**CITY OF FULTON, KENTUCKY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 1,026,770	\$ 532,158	\$ 1,558,928
Property taxes receivable, net	300,589	-	300,589
Other taxes receivable	202,091	-	202,091
Due from other governments	101,958	-	101,958
Prepaid expense	27,808	-	27,808
Restricted cash	499,241	-	499,241
<b>Total assets</b>	<b><u>\$2,158,457</u></b>	<b><u>\$ 532,158</u></b>	<b><u>\$ 2,690,615</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 39,061	\$ 10,813	\$ 49,874
Payroll-related liabilities	-	-	-
Unearned revenue	-	33,140	33,140
Customer deposits	13,148	-	13,148
Total liabilities	<u>52,209</u>	<u>43,953</u>	<u>96,162</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	<u>299,010</u>	<u>-</u>	<u>299,010</u>
<b>Fund Balances</b>			
Restricted	499,241	488,205	987,446
Unassigned	<u>1,307,997</u>	<u>-</u>	<u>1,307,997</u>
Total fund balances	<u>1,807,238</u>	<u>488,205</u>	<u>2,295,443</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b><u>\$ 2,158,457</u></b>	<b><u>\$ 532,158</u></b>	<b><u>\$ 2,690,615</u></b>

*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, 2021

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

Total fund balances of governmental funds	\$ 2,295,443
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,864,518
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	31,931
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	599,983
Compensated absences	111,886
Net pension liability	2,140,632
Net other postemployment benefit liability	673,741
Deferred inflows	161,988
Deferred outflows	<u>(843,645)</u>
Total	<u>(2,844,585)</u>
Net position of governmental activities	<u>\$ 2,347,307</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, 2021

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Local taxes	\$ 1,668,542	\$ 99,777	\$ 1,768,319
Intergovernmental revenue	87,349	45,055	132,404
Charges for services	115,779	19,031	134,810
Grant revenue	216,457	-	216,457
Fines, forfeitures and penalties	4,036	-	4,036
Interest	32,713	12,256	44,969
Other revenues	37,961	1,275	39,236
Total revenues	<u>2,162,837</u>	<u>177,394</u>	<u>2,340,231</u>
<b>Expenditures</b>			
Current:			
General government	164,403	-	164,403
Public safety	1,189,712	-	1,189,712
Public works - general	239,770	-	239,770
Highways and streets	58,346	11,396	69,742
Parks and cemeteries	89,858	-	89,858
Tourism	-	59,055	59,055
Non-departmental	78,181	-	78,181
Debt service:			
Principal	15,624	-	15,624
Interest	16,949	-	16,949
Bond fees	2,093	-	2,093
Capital outlay:			
Public safety	49,369	-	49,369
Parks and cemeteries	16,558	-	16,558
Total expenditures	<u>1,920,863</u>	<u>70,451</u>	<u>1,991,314</u>
<b>Revenues over (under) expenditures</b>	<b>241,974</b>	<b>106,943</b>	<b>348,917</b>
<b>Other financing sources (uses)</b>			
Transfers in	193,412	950	194,362
Transfers out	(4,950)	-	(4,950)
Total other financing sources (uses)	<u>188,462</u>	<u>950</u>	<u>189,412</u>
<b>Net change in fund balances</b>	<b>430,436</b>	<b>107,893</b>	<b>538,329</b>
Fund balances - July 1, 2020	1,369,435	335,754	1,705,189
Restatements - new accounting standard	7,367	44,558	51,925
Fund balances - July 1, 2020, as restated	<u>1,376,802</u>	<u>380,312</u>	<u>1,757,114</u>
Fund balances - June 30, 2021	<u>\$ 1,807,238</u>	<u>\$ 488,205</u>	<u>\$ 2,295,443</u>

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

**CITY OF FULTON, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2021

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

Net change in fund balances of governmental funds \$ 538,329

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	65,927	
Depreciation expense	<u>(188,215)</u>	
Net effect		(122,288)

In the statement of activities, only the gain (loss) on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the cost of the capital assets sold. (14,333)

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	182,260	
Pension and OPEB expense	<u>(467,792)</u>	
Net effect		(285,532)

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		15,624
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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)

Revenues in the statement of activities that do not provide current financial resources (delinquent property taxes, etc.) are not reported as revenue in governmental funds. 31,931

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. (16,894)

Change in net position of governmental activities \$ 146,727

*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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
<b>Revenues</b>				
Local taxes				
Property taxes	\$ 331,223	\$ 324,997	\$ 390,874	\$ 65,877
Interest and penalties	4,000	6,624	6,624	-
Payments in lieu of tax	24,100	25,351	37,252	11,901
Delinquent tax lawsuit fees	-	268	268	-
Franchise taxes	18,500	18,500	18,732	232
Alcoholic beverage control regulatory fee	355,000	406,000	405,587	(413)
Insurance premium tax	135,000	70,500	70,492	(8)
Payroll taxes	650,000	710,000	738,713	28,713
Total local taxes	<u>1,517,823</u>	<u>1,562,240</u>	<u>1,668,542</u>	<u>106,302</u>
Intergovernmental revenues				
Business licenses	28,800	23,500	23,850	350
Alcoholic beverage control licenses	6,500	6,325	6,325	-
County court fees	5,400	2,882	2,882	-
Fire department revenue	500	357	357	-
Federal grant funds	-	204,199	204,199	-
State grant funds	11,000	12,258	12,258	-
State incentive revenue	48,000	48,000	48,559	559
Law enforcement fees	6,500	4,934	4,934	-
Code enforcement revenue	2,000	442	442	-
Total intergovernmental revenues	<u>108,700</u>	<u>302,897</u>	<u>303,806</u>	<u>909</u>
Charges for services				
Rent	12,100	3,100	3,950	850
Building permits	1,500	1,005	1,006	1
City stickers	50,000	39,255	39,605	350
School resource officer	52,800	52,818	52,818	-
Ambulance service revenue	-	1,000	1,000	-
Cemetery lots	5,000	4,500	5,950	1,450
Cemetery openings and upkeep	9,500	11,450	11,450	-
Total charges for services	<u>130,900</u>	<u>113,128</u>	<u>115,779</u>	<u>2,651</u>
Fines, forfeitures and penalties				
Parking violations	-	10	10	-
Drug fund revenue	7,000	-	-	-
Base court revenue	4,200	4,026	4,026	-
Total fines, forfeitures and penalties	<u>11,200</u>	<u>4,036</u>	<u>4,036</u>	<u>-</u>
Other revenues				
Sale of property	20,000	3,500	3,500	-
Interest income	27,000	28,000	32,713	4,713
Damage awards	-	28,293	28,293	-
Miscellaneous income	1,500	681	6,168	5,487
Total other revenues	<u>48,500</u>	<u>60,474</u>	<u>70,674</u>	<u>10,200</u>
<b>Total revenues</b>	<b><u>1,817,123</u></b>	<b><u>2,042,775</u></b>	<b><u>2,162,837</u></b>	<b><u>120,062</u></b>

*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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
<b>Expenditures</b>				
Administrative				
Salaries	96,272	97,000	96,232	(768)
Retirement/pension	16,522	17,000	16,501	(499)
Unemployment	148	150	148	(2)
Hospitalization	16,404	19,600	18,278	(1,322)
Life/dental	215	215	193	(22)
Social security	6,263	5,800	5,788	(12)
Other benefits	125	250	197	(53)
Office supplies	650	1,200	737	(463)
Technical supplies	500	2,000	1,001	(999)
Dues and subscriptions	820	543	406	(137)
Motor fuel/oil	2,000	900	1,024	124
Telephone	1,100	1,600	1,350	(250)
Advertising/printing	3,206	4,500	5,044	544
Travel	2,000	1,500	365	(1,135)
Insurance	5,378	5,378	5,378	-
Professional/technical services	500	4,200	4,392	192
Training	1,500	1,807	1,605	(202)
Miscellaneous	200	200	109	(91)
Duplicate charges	(67,975)	(70,008)	(69,571)	437
Total administrative	<u>85,828</u>	<u>93,835</u>	<u>89,177</u>	<u>(4,658)</u>
Finance Department				
Salaries	173,160	172,000	170,575	(1,425)
Overtime/help	2,000	750	604	(146)
Retirement/pension	42,143	41,500	41,185	(315)
Unemployment	378	400	370	(30)
Hospitalization	51,667	55,181	49,678	(5,503)
Life/dental insurance	860	856	771	(85)
Social security	13,400	12,000	11,558	(442)
Other benefits	1,400	1,400	1,116	(284)
Maintenance - fixtures	1,500	1,500	898	(602)
Utilities	9,000	8,000	7,139	(861)
Technical supplies	1,000	2,000	2,180	180
Office supplies	1,200	500	386	(114)
Cleaning supplies	600	1,900	1,804	(96)
Dues/subscriptions	200	173	130	(43)
Postage	1,100	1,350	936	(414)
Telephone	1,100	1,250	1,214	(36)
Travel	1,500	200	-	(200)
Insurance	3,168	3,168	3,168	-
Professional/technical services	-	350	279	(71)
Training/registration	1,000	600	469	(131)
Miscellaneous	200	200	109	(91)
Duplicate charges	(228,007)	(227,270)	(219,343)	7,927
Total finance department	<u>78,569</u>	<u>78,008</u>	<u>75,226</u>	<u>(2,782)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Code Compliance				
Salaries	40,444	38,000	37,336	(664)
Retirement/pension	9,269	9,100	8,983	(117)
Unemployment	85	85	81	(4)
Health/vision	10,653	11,936	12,417	481
Life/dental	215	215	193	(22)
Social security	3,094	2,800	2,669	(131)
Other benefits	105	-	2	2
Clothing	350	350	283	(67)
Maintenance - vehicles/equipment	250	300	194	(106)
Office supplies	500	250	219	(31)
Technical supplies	1,250	500	65	(435)
Dues and subscriptions	700	872	654	(218)
Motor fuel/oil	200	400	351	(49)
Postage	500	530	428	(102)
Telephone	300	-	-	-
Advertising/printing	250	150	69	(81)
Travel	3,000	500	998	498
Insurance	3,168	3,168	3,168	-
Professional/technical services	5,000	5,000	4,824	(176)
Training	1,000	300	725	425
Code enforcement	25,000	25,000	12,674	(12,326)
Miscellaneous	250	250	-	(250)
Total code compliance	<u>105,583</u>	<u>99,706</u>	<u>86,333</u>	<u>(13,373)</u>
Police Department				
Salaries	383,923	381,301	378,015	(3,286)
Overtime/help	50,000	33,202	29,646	(3,556)
Retirement/pension	114,988	108,323	106,612	(1,711)
Unemployment	1,025	1,025	957	(68)
Hospitalization	102,306	109,145	96,888	(12,257)
Life/dental insurance	2,365	2,395	2,131	(264)
Social security	36,561	34,748	34,169	(579)
Workers' compensation	41,875	41,875	41,185	(690)
Clothing	5,000	2,736	2,508	(228)
Incentive	44,000	44,000	32,830	(11,170)
Other benefits	700	700	423	(277)
Maintenance - fixtures	1,500	1,650	2,177	527
Maintenance - vehicles/equipment	12,300	13,260	11,769	(1,491)
Utilities	7,000	6,200	6,009	(191)
Alcoholic beverage control expenses	15,000	4,000	3,669	(331)
School resource officer expense	2,000	2,000	1,012	(988)
Technical supplies	6,500	3,976	4,924	948
Office supplies	3,500	6,000	5,860	(140)
Cleaning supplies	375	800	727	(73)
Dues and subscriptions	600	600	507	(93)
Motor fuel/oil	25,000	21,000	21,809	809
Postage	600	600	535	(65)
Telephone	10,000	11,000	10,958	(42)

*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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
Advertising/printing	100	732	549	(183)
Travel	4,500	3,817	3,907	90
Insurance	40,681	41,468	41,468	-
Professional/technical services	750	16,000	15,955	(45)
Training	750	-	-	-
Program implements	600	300	216	(84)
Animal control	-	3,319	3,956	637
Dispatch expense	30,000	30,000	27,700	(2,300)
Drug fund expenditures	7,000	6,044	8,247	2,203
Miscellaneous	750	300	1,007	707
Capital expenditures	-	22,100	22,100	-
Total Police Department	<u>952,249</u>	<u>954,616</u>	<u>920,425</u>	<u>(34,191)</u>
Fire Department				
Salaries	53,913	54,000	53,708	(292)
Retirement/pension	13,934	14,000	13,884	(116)
Unemployment	125	125	125	-
Hospitalization	10,653	11,217	10,173	(1,044)
Life/dental insurance	215	215	193	(22)
Social security	4,430	4,200	4,144	(56)
Workers' compensation, net of refund	2,464	2,464	(2,327)	(4,791)
Clothing	1,200	1,600	1,453	(147)
Incentive	4,000	4,000	4,000	-
Other benefits	130	250	240	(10)
Maintenance - fixtures	3,000	600	542	(58)
Maintenance - vehicles/equipment	13,000	6,000	4,724	(1,276)
Utilities	6,000	6,463	6,009	(454)
State Aid expense	11,000	12,400	12,375	(25)
Volunteer fire expenditures	50,000	50,000	50,000	-
Fire prevention	2,200	1,012	684	(328)
Technical supplies	12,000	7,000	6,943	(57)
Office supplies	500	1,425	1,139	(286)
Cleaning supplies	500	400	301	(99)
Dues and subscriptions	1,000	500	445	(55)
Motor fuel/oil	3,000	3,200	3,213	13
Grant expense	1,000	-	-	-
Postage	300	300	257	(43)
Telephone	2,500	2,100	2,134	34
Advertising/printing	350	-	-	-
Travel	2,500	550	67	(483)
Insurance	15,789	15,789	15,789	-
Professional/technical services	8,000	6,653	5,429	(1,224)
Training	3,000	-	(127)	(127)
Dispatch expense	10,000	10,000	9,167	(833)
Miscellaneous	200	200	-	(200)
Capital expenditures	-	22,000	27,639	5,639
Total Fire Department	<u>236,903</u>	<u>238,663</u>	<u>232,323</u>	<u>(6,340)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Over (Under)</u>
<b>Public Works Department</b>				
Salaries	466,231	465,000	463,179	(1,821)
Overtime/help	18,000	24,359	23,438	(921)
Retirement/pension	116,506	117,192	116,871	(321)
Unemployment	1,085	1,085	1,088	3
Hospitalization	89,890	99,000	89,613	(9,387)
Life/dental insurance	2,795	2,795	2,332	(463)
Social security	37,044	36,000	35,650	(350)
Workers' compensation	54,191	54,189	54,189	-
Clothing	7,000	7,047	6,049	(998)
Other benefits	1,050	1,050	987	(63)
Duplicate charges	<u>(555,654)</u>	<u>(565,402)</u>	<u>(553,626)</u>	<u>11,776</u>
Total Public Works	<u>238,138</u>	<u>242,315</u>	<u>239,770</u>	<u>(2,545)</u>
<b>Street Department</b>				
Maintenance - buildings/grounds	1,000	2,100	1,960	(140)
Maintenance - fixtures	1,200	4,200	3,921	(279)
Maintenance - vehicles/equipment	10,000	13,757	13,403	(354)
Utilities	20,000	20,216	19,918	(298)
Technical supplies	4,000	7,200	6,877	(323)
Office supplies	250	550	599	49
Cleaning supplies	-	150	245	95
Motor fuel/oil	3,000	3,000	2,686	(314)
Insurance	5,274	5,275	5,275	-
Professional/technical services	1,000	150	52	(98)
Street markers	1,000	2,100	3,348	1,248
Miscellaneous	200	200	62	(138)
Capital expenditures	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total Street Department	<u>46,924</u>	<u>63,898</u>	<u>58,346</u>	<u>(5,552)</u>
<b>Parks and Cemeteries Department</b>				
Salaries	15,840	15,000	12,838	(2,162)
Overtime	7,000	4,691	4,195	(496)
Retirement	1,684	1,423	1,230	(193)
Social security	1,747	1,400	1,303	(97)
Maintenance - buildings/grounds	5,000	10,000	13,963	3,963
Maintenance - fixtures	1,500	1,500	1,326	(174)
Maintenance - vehicles/equipment	7,500	9,000	9,076	76
Utilities	15,000	11,000	9,910	(1,090)
Technical supplies	2,500	1,700	1,432	(268)
Office supplies	250	1,045	1,354	309
Women's club expenditures	500	336	1,338	1,002
Community center expenditures	13,500	12,000	13,432	1,432
Motor fuel/oil	3,200	5,000	5,450	450
Equipment rental	500	-	-	-
Insurance	12,633	12,633	12,633	-
Professional/technical services	1,500	250	368	118
Miscellaneous	200	200	10	(190)
Capital expenditures	<u>-</u>	<u>16,558</u>	<u>16,558</u>	<u>-</u>
Total Parks and Cemeteries	<u>90,054</u>	<u>103,736</u>	<u>106,416</u>	<u>2,680</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, 2021

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Over (Under)</b>
<b>Non-Departmental</b>				
Maintenance - buildings/grounds	2,000	2,000	1,278	(722)
Shop expense	14,000	11,751	11,191	(560)
Grant expenditures	-	400	184	(216)
Postage	300	300	240	(60)
PVA - tax roll	5,000	4,844	4,844	-
Service contracts	16,000	15,000	10,859	(4,141)
Audit	9,000	9,000	9,000	-
General liability insurance	12,840	16,000	15,680	(320)
Chamber of Commerce	1,200	1,200	1,200	-
Airport	4,700	4,617	4,617	-
Library	5,000	5,000	5,000	-
Detention Center meals	20,000	-	-	-
Kentucky Municipal League	850	850	850	-
Purchase area development	500	500	500	-
Contingency	35,000	5,000	3,194	(1,806)
Economic development	15,000	15,000	15,000	-
Payroll fund	-	-	(5,456)	(5,456)
Total Non-Departmental	<u>141,390</u>	<u>91,462</u>	<u>78,181</u>	<u>(13,281)</u>
<b>Debt Service</b>				
Debt payment			15,624	
Interest on debt			16,949	
Bond fees			2,093	
Total Debt Service	<u>34,666</u>	<u>34,666</u>	<u>34,666</u>	<u>-</u>
<b>Total expenditures</b>	<b><u>2,010,304</u></b>	<b><u>2,000,905</u></b>	<b><u>1,920,863</u></b>	<b><u>(80,042)</u></b>
<b>Revenues over (under) expenditures</b>	<b>(193,181)</b>	<b>41,870</b>	<b>241,974</b>	<b>200,104</b>
<b>Other financing sources (uses)</b>				
Transfers in - payments in lieu of tax	193,412	193,412	193,412	-
Transfers out	-	-	(4,950)	(4,950)
Total other financing sources (uses)	<u>193,412</u>	<u>193,412</u>	<u>188,462</u>	<u>(4,950)</u>
<b>Net change in fund balance</b>	<b><u>\$ 231</u></b>	<b><u>\$ 235,282</u></b>	<b><u>430,436</u></b>	<b><u>\$ 195,154</u></b>
Fund balance - July 1, 2020			1,369,435	
Restatement - new accounting standard			7,367	
Fund balance - July 1, 2020, as restated			<u>1,376,802</u>	
Fund balance - June 30, 2021			<u>\$ 1,807,238</u>	

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

**CITY OF FULTON, KENTUCKY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND**

June 30, 2021

	<u>Utility Fund</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 770,877
Accounts receivable (net)	219,511
Prepaid expenses	4,705
Inventory	<u>26,252</u>
Total current assets	1,021,345
Noncurrent assets	
Restricted assets:	
Cash in bond-related accounts	28,000
Capital assets, net of accumulated depreciation:	
Utility plant in service	<u>10,393,392</u>
Total assets	<u>11,442,737</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	48,324
Deferred outflows related to other postemployment benefits	<u>182,459</u>
Total deferred outflows of resources	<u>230,783</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	213,661
Accrued expenses	9,566
Customer deposits	235,714
Noncurrent liabilities due within one year	<u>265,512</u>
Total current liabilities	<u>724,453</u>
Noncurrent liabilities	
Accrued vacation and sick leave	8,611
Net pension liability	1,444,747
Net other postemployment benefit liability	454,719
Bonds and notes payable, net of current portion	<u>6,017,596</u>
Total noncurrent liabilities	<u>7,925,673</u>
Total liabilities	<u>8,650,126</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	32,809
Deferred inflows related to other postemployment benefits	<u>134,140</u>
Total deferred inflows of resources	<u>166,949</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,110,284
Restricted for debt service	28,000
Unrestricted	<u>(1,281,839)</u>
Total net position	<u>\$ 2,856,445</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, 2021

	Utility Fund
<b>Operating revenues</b>	
Utility sales	\$ 2,342,214
Miscellaneous	56,832
Total operating revenues	2,399,046
<b>Operating expenses</b>	
Personnel/administrative costs	848,139
Maintenance	21,974
Utilities	188,218
Maintenance to system	86,480
Gas purchases	318,919
Technical supplies	21,884
Office and cleaning supplies	7,516
Dues and subscriptions	2,496
Motor fuel and oil	19,321
Postage	8,407
Equipment rental	44
Telephone	3,482
Advertising and printing	268
Travel and registrations	425
Insurance	46,819
Professional services	92,748
Training	920
Audit expense	6,950
Depreciation	310,992
Dispatch expense	18,333
Miscellaneous	37,637
Total operating expenses	2,041,972
<b>Operating income</b>	<b>357,074</b>
<b>Non-operating revenue (expense)</b>	
Interest earnings	19,645
Interest expense	(173,661)
Total non-operating revenue (expense)	(154,016)
Income (loss) before capital contributions and transfers	203,058
Transfers in	4,000
Transfer out - payment in lieu of taxes	(193,412)
<b>Change in net position</b>	<b>13,646</b>
Net position - July 1, 2020	2,854,423
Prior period adjustments	(11,624)
Net position - July 1, 2020, as restated	2,842,799
Net position - June 30, 2021	\$ 2,856,445

*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, 2021

	Utility Fund
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 2,423,550
Cash payments for employees services and benefits	(837,453)
Cash payments to suppliers	(812,336)
Net cash provided by operating activities	773,761
<b>Cash Flows from Non-Capital Financing Activities</b>	
Interfund transfers	(189,412)
Decrease in due to/from other funds	13,175
Net cash used by non-capital financing activities	(176,237)
<b>Cash Flows from Capital and Related Financing Activities</b>	
Payments on principal of long-term debt	(244,636)
Interest payments on long-term debt	(178,090)
Net cash used by capital and related financing activities	(422,726)
<b>Cash Flows from Investing Activities</b>	
Interest received	19,645
<b>Net increase in cash</b>	<b>194,443</b>
Cash - July 1, 2020	604,434
Cash - June 30, 2021	\$ 798,877
Cash is reported in the statement of net position as follows:	
Cash	\$ 770,877
Restricted cash	28,000
	\$ 798,877
<b>Reconciliation of Cash Flows from Operating Activities</b>	
Operating income	\$ 357,074
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	310,992
Deferred outflows	253,611
Deferred inflows	(90,350)
Decrease in accounts receivable	14,079
Decrease in prepaid expenses	48,342
Increase in accounts payable	21,637
Increase in accrued expenses	526
Increase in customer deposits	10,425
Decrease in net pension liability	(211,481)
Increase in net other postemployment benefit liability	58,906
Total adjustments	416,687
Net cash provided by operating activities	\$ 773,761

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

**CITY OF FULTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

**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. 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, 2021

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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 City reports the following major proprietary fund:

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

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

**CITY OF FULTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

of the fiscal year. This practice is consistent with industry guidelines and does not differ significantly from generally accepted accounting principles.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*, effective for reporting periods beginning after December 15, 2019, (as delayed by GASB Technical Bulletin 2020-1 due to COVID-19). The objective of Statement 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. Management determined that the three funds previously reported as fiduciary funds by the City of Fulton did not meet these new criteria. The Cemetery Fund was determined to be a special revenue fund and the Expenditure Revolving and Payroll Funds' activities were incorporated into the General Fund. As of July 1, 2020, this resulted in a restatement of beginning fund balance in the General Fund of \$7,367 and an additional restatement in beginning net position of governmental funds of \$44,558 to include the Cemetery Fund.

**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



**CITY OF FULTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has items related to pensions and other postemployment benefits that qualified for reporting in this category. See Note 4 for details related to these items.

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

**Compensated Absences**

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

**Pensions**

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

**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.

**CITY OF FULTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

**Fund Balance/Net Position**

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

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

As of June 30, 2021, the City had restricted fund balance of \$48,131 for Drug and Police Evidence Funds, \$429,935 for alcoholic beverage funds, \$21,175 for unexpended grant funds, \$363,866 for Tourism, \$77,043 for municipal aid funds, and \$47,296 for cemetery maintenance.

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, 2021, all bank deposits were fully insured or collateralized. All funds are classified as public funds.

**B. Receivables**

Receivables are presented in the financial statements net of allowances for uncollectible accounts. The Utility Fund has an allowance of \$8,000 as of June 30, 2021. The allowance for uncollectible property taxes was \$31,932 at June 30, 2021.

**CITY OF FULTON, KENTUCKY**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021

**C. Capital Assets**

Governmental capital asset activity for the year ended June 30, 2021, 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>5,421,898</u>	<u>65,927</u>	<u>20,000</u>	<u>5,467,825</u>
Total capital assets being depreciated	9,298,722	65,927	20,000	9,344,649
Less accumulated depreciation for:				
Buildings	2,270,481	58,810	-	2,329,291
Improvements	574	2,161	-	2,735
Vehicles and equipment	<u>4,296,448</u>	<u>127,244</u>	<u>5,667</u>	<u>4,418,025</u>
Total accumulated depreciation	<u>6,567,503</u>	<u>188,215</u>	<u>5,667</u>	<u>6,750,051</u>
Net capital assets being depreciated	<u>2,731,219</u>	<u>(122,288)</u>	<u>14,333</u>	<u>2,594,598</u>
Governmental activities capital assets, net	<u>\$ 3,001,139</u>	<u>\$ (122,288)</u>	<u>\$ 14,333</u>	<u>\$ 2,864,518</u>

Depreciation expense was charged to governmental functions as follows:

General	\$ 51,328
Public safety	90,916
Public works	16,084
Highways and streets	7,792
Parks and cemeteries	<u>22,095</u>
Total - governmental activities	<u>\$ 188,215</u>

Business-type capital asset activity for the year ended June 30, 2021, is summarized below:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets, being depreciated				
Utility plant in operation	\$ 16,657,649	\$ -	\$ -	\$ 16,657,649
Less accumulated depreciation	<u>5,953,265</u>	<u>310,992</u>	<u>-</u>	<u>6,264,257</u>
Utility plant in operation, net	<u>10,704,384</u>	<u>(310,992)</u>	<u>-</u>	<u>10,393,392</u>
Business-type capital assets, net	<u>\$ 10,704,384</u>	<u>\$ (310,992)</u>	<u>\$ -</u>	<u>\$ 10,393,392</u>

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**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, 2021, was \$403,000.

The premium associated with the bonds was \$79,966. This amount is being amortized over the life of the new debt and is included with bonds payable in the statements of net position. Amortization for the year ended June 30, 2021, 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, 2021, was \$897,851. 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, 2021, was \$5,565,417. 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, 2021:

Year Ending June 30,	Government Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	26,845	14,949	350,906	131,947
2027-2031	178,095	63,311	1,819,270	542,095
2032-2036	274,078	31,827	2,561,301	269,967
2037	38,782	1,163	350,587	9,714
Totals	<u>\$ 601,622</u>	<u>\$ 175,514</u>	<u>\$ 6,264,646</u>	<u>\$ 1,551,790</u>

Changes in long-term liabilities for the year ended June 30, 2021, were as follows:

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	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
KY Bond Corporation, 2016C series	\$ 617,246	\$ -	\$ 15,624	\$ 601,622	\$ 17,656
Bond discount, net of amortization	(1,749)	-	(110)	(1,639)	n/a
Compensated absences	94,992	16,894	-	111,886	n/a
Total for governmental activities	<u>\$ 710,489</u>	<u>\$ 16,894</u>	<u>\$ 15,514</u>	<u>\$ 711,869</u>	<u>\$ 17,656</u>
Business-type activities:					
KRWFC bonds, 2013B series	\$ 465,500	\$ -	\$ 62,500	\$ 403,000	\$ 65,000
Bond premium being amortized	37,318	-	5,331	31,987	n/a
KIA Infrastructure loan	952,278	-	54,427	897,851	54,835
KY Bond Corporation, 2016C series	5,091,504	-	127,709	4,963,795	145,677
Bond discount being amortized	(14,427)	-	(902)	(13,525)	n/a
Compensated absences	8,611	-	-	8,611	n/a
Total for business-type activities	<u>\$ 6,540,784</u>	<u>\$ -</u>	<u>\$ 249,065</u>	<u>\$ 6,291,719</u>	<u>\$ 265,512</u>

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

**E. Interfund Receivables, Payables, and Transfers**

There was a transfer of \$4,000 made from the General Fund to the Utility Fund to clear small, accumulated reimbursement balances from prior years. The transfer of \$193,412 from the Utility Fund to the General Fund is the annual in-lieu-of-tax payment. In addition, the General Fund transferred \$950 to the Cemetery Fund for the portion of burial plot sales committed by the City Commission for cemetery maintenance.

**F. Prior Period Adjustment**

During the current year, it was determined that \$11,624 in prepaid expense in the Utility Fund had been reported in error. A prior period adjustment was made to reduce prepaid expenses and beginning net position by this amount.

**NOTE 4 – OTHER INFORMATION**

**A. Pensions**

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

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](http://www.kyret.ky.gov).

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*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 2021 were adopted by the Board of KRS based on actuarially recommended rates. For the year ended June 30, 2021, the City's covered payroll was \$1,268,775. 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, 2021, was 19.30%. The City's contributions to the Plan for the year ended June 30, 2021, were \$244,874.

*Pension Liabilities.* At June 30, 2021, the City reported a liability of \$3,585,379 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019. 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, 2020, the City's proportion was 0.046746 percent. At June 30, 2019, the City's proportion was 0.047370 percent.

*Pension Expense.* For the year ended June 30, 2021, the City recognized pension expense of \$497,616.

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Plan investments	\$ 89,719	\$ -
Changes in assumptions	140,003	-
Differences between expected and actual experience	89,408	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	81,421
Contributions subsequent to the measurement date of June 30, 2020	244,874	<i>(not applicable)</i>
Total	\$ 564,004	\$ 81,421

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

Year Ending June 30:	
2021	\$89,288
2022	70,336
2023	42,053
2024	36,032

*Actuarial Methods and Assumptions.* The total pension liability, net pension liability, and sensitivity information as of June 30, 2020, were based on an actuarial valuation date of June 30, 2019, rolled-forward from the valuation date to the measurement date of June 30, 2020, using generally accepted actuarial principles. There were no assumption changes since June 30, 2019. Key actuarial assumptions are as follows:

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

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

The 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.

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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
<b>Growth</b>	<b>62.50%</b>	
U.S. equity	18.75%	4.50%
Non-U.S. equity	18.75%	5.25%
Private equity	10.00%	6.65%
Specialty credit/High yield	15.00%	3.90%
<b>Liquidity</b>	<b>14.50%</b>	
Core bonds	13.50%	(0.25)%
Cash	1.00%	(0.75)%
<b>Diversifying Strategies</b>	<b>23.00%</b>	
Real estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real return	<u>15.00%</u>	3.95%
Total	<u>100.00%</u>	<b>3.96%</b>

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

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

Net pension liability	1% Decrease	Current Discount Rate	1% Increase
As of June 30, 2021	\$ 4,421,553	\$ 3,585,379	\$ 2,892,996

*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.



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**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/](http://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.

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*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, 2021, was 4.76 percent of covered payroll and contributions paid were \$60,394. 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, 2021, KRS reported an implicit subsidy of \$27,695.

*OPEB liability.* At June 30, 2021, the City reported a liability of \$1,128,460 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the measurement date of June 30, 2020, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on employers' actual contributions for FY 2020. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2020, the City's proportion was 0.046733 percent. At June 30, 2019, the City's proportion was 0.047403 percent.

*Actuarial assumptions.* The total pension liability as of June 30, 2020, was determined using the following actuarial assumptions:

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	6.4% at January 1, 2022, decreasing gradually to an ultimate trend rate of 4.05% over a period of 14 years
Post-65	2.9% at January 1, 2022, increasing to 6.3% in 2023, then decreasing gradually to an ultimate trend rate of 4.05% over a period of 14 years

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

The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2019, valuation process and was updated to better reflect more current expectations relating to anticipated future increases in medical costs. The anticipated savings from the repeal of the "Cadillac Tax" and "Health Insurer Fee," which occurred in December 2019, are reflected in the June 30, 2020, GASB 75 actuarial information. The assumed load on pre-Medicare premiums to

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reflect the cost of the Cadillac Tax was removed and the Medicare premiums were reduced by 11% to reflect the repeal of the Health Insurer Fee. There were no other material assumption changes.

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

The long-term expected rate of return on OPEB plan investments used to determine the discount rate is the same rate used by the Kentucky Retirement Systems (KRS) County Employees Retirement System (CERS) pension plan, which was 6.25% for 2020.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2020, was 5.34%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of current plan members. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 2.45% as reported in Fidelity's *20-Year Municipal GO AA Index* as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the City's proportionate share of the net OPEB liability, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34 percent) or 1-percentage-point higher (6.34 percent) than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$1,449,740	\$1,128,460	\$ 864,582

*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	\$ 873,710	\$1,128,460	\$1,437,605

*OPEB expense and deferred outflows and inflows of resources related to OPEB.* For the year ended June 30, 2021, the City recognized CERS OPEB expense of \$138,009.

At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to CERS OPEB from the following sources:

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	Deferred Outflows	Deferred Inflows
Net difference between projected and actual earnings on OPEB plan investments	\$ 37,508	\$ -
Changes in assumptions	196,285	1,194
Differences between expected and actual experience	188,542	188,689
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	57,633
Contributions subsequent to the measurement date <sup>1</sup>	88,089	-
<b>Total</b>	<b>\$ 510,424</b>	<b>\$ 247,516</b>

<sup>1</sup> must include implicit subsidy of \$27,695 per KRS

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

Year ended June 30:	
2021	\$47,035
2022	58,135
2023	36,901
2024	37,472
2025	(4,724)
Thereafter	-

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

**C. Risk Management**

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

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**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>	<u>2020</u>			
City of Fulton's proportion of the collective net pension liability	.047370%	.046746%			
City of Fulton's proportionate share of the net pension liability	\$3,331,553	\$3,585,379			
City of Fulton's covered payroll	\$1,190,906	\$1,197,401			
Proportionate share of the net pension liability as percentage of covered payroll	279.75%	299.43%			
Plan fiduciary net position as percentage of the total pension liability	50.45%	47.81%			

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*

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June 30, 2021

- 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, 2021

**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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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>	<u>2021</u>		
Statutorily determined contributions	\$ 193,165	\$ 231,098	\$ 244,874		
Contributions in relation to the statutorily determined contribution	<u>193,165</u>	<u>231,098</u>	<u>244,874</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
City of Fulton's covered payroll	\$ 1,190,906	\$ 1,197,401	\$ 1,268,775		
City of Fulton's contributions as a percentage of covered payroll	16.22%	19.30%	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**

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

The following actuarial methods and assumptions were used to determine contribution rates for fiscal year ended June 30, 2020, determined by the actuarial valuation as of June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 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

*See independent auditor's report*

**CITY OF FULTON, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2021

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



**CITY OF FULTON, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2021

**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>	<u>2020</u>
City's proportion of the collective net OPEB liability	.051082%	.049859%	.047403%	.046733%
City's proportionate share of the net OPEB liability	\$ 1,026,923	\$ 885,237	\$ 797,297	\$ 1,128,460
City's covered-employee payroll	\$ 1,243,734	\$ 1,242,844	\$ 1,190,906	\$ 1,197,401
City's proportionate share of net OPEB liability as a percent of its covered-employee payroll	82.57%	74.33%	74.33%	94.24%
Plan fiduciary net position as a percent of total OPEB liability	52.40%	57.62%	60.44%	51.67%

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

**Notes to Schedule**

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

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

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

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

*See independent auditor's report*

**CITY OF FULTON, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2021

**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>	<u>2021</u>
Statutorily determined contributions	\$ 58,829	\$ 58,414	\$ 62,565	\$ 56,997	\$ 60,394
Contributions in relation to the statutorily determined contribution	<u>58,829</u>	<u>58,414</u>	<u>62,565</u>	<u>56,997</u>	<u>60,394</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401	\$1,268,775
City's contributions as percentage of covered-employee payroll	4.73%	4.70%	5.26%	4.76%	4.76%

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

**Notes to Schedule**

*Methods and assumptions used in calculation of statutorily determined contributions.*

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

The statutorily determined contribution rates effective for fiscal year ending 2020 were calculated as of June 30, 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	25 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

*See independent auditor's report*

**CITY OF FULTON, KENTUCKY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
June 30, 2021

Healthcare cost trend rates

Pre-65

7.0 percent, decreasing gradually to an ultimate rate of 4.05 percent over a period of 12 years

Post-65

5.0 percent, decreasing gradually to an ultimate rate of 4.05 percent over a period of 10 years

## **SUPPLEMENTARY AND OTHER INFORMATION SECTION**

**CITY OF FULTON, KENTUCKY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2021**

	Special Revenue Funds			Total
	Tourism Fund	Municipal Aid Fund	Cemetery Fund	
<b>Assets</b>				
Cash in banks	\$ 370,410	\$ 90,726	\$ 71,022	\$ 532,158
<b>Total assets</b>	<b><u>\$ 370,410</u></b>	<b><u>\$ 90,726</u></b>	<b><u>\$ 71,022</u></b>	<b><u>\$ 532,158</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 6,544	\$ 4,269	\$ -	\$ 10,813
Unearned revenue	-	9,414	23,726	33,140
Total liabilities	6,544	13,683	23,726	43,953
<b>Fund balances</b>				
Restricted	363,866	77,043	47,296	488,205
<b>Total liabilities and fund balances</b>	<b><u>\$ 370,410</u></b>	<b><u>\$ 90,726</u></b>	<b><u>\$ 71,022</u></b>	<b><u>\$ 532,158</u></b>

*See independent auditor's report*

**CITY OF FULTON, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2021

	<b>Special Revenue Funds</b>			
	<b>Tourism Fund</b>	<b>Municipal Aid Fund</b>	<b>Cemetery Fund</b>	<b>Total</b>
<b>Revenues</b>				
Local taxes	\$ 99,777	\$ -	\$ -	\$ 99,777
Charges for services	19,031	-	-	19,031
Intergovernmental revenue		45,055	-	45,055
Interest income	8,387	2,081	1,788	12,256
Miscellaneous	1,275	-	-	1,275
Total revenues	<u>128,470</u>	<u>47,136</u>	<u>1,788</u>	<u>177,394</u>
<b>Expenditures</b>				
Clerical services	17,500	-	-	17,500
Special projects	2,178	-	-	2,178
Office supplies	76	-	-	76
Fourth of July/Christmas	13,718	-	-	13,718
Utilities and telephone	2,020	-	-	2,020
Repair and maintenance	-	10,851	-	10,851
Travel	300	-	-	300
Festival expenses	6,572	-	-	6,572
Sidewalk repair		545	-	545
Advertising	86	-	-	86
Capital outlay	6,799	-	-	6,799
Park expenditures	9,806	-	-	9,806
Total expenditures	<u>59,055</u>	<u>11,396</u>	<u>-</u>	<u>70,451</u>
<b>Revenues over expenditures</b>	<b>69,415</b>	<b>35,740</b>	<b>1,788</b>	<b>106,943</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	-	-	950	950
<b>Net change in fund balances</b>	<b>69,415</b>	<b>35,740</b>	<b>2,738</b>	<b>107,893</b>
Fund balances - July 1, 2020	294,451	41,303	-	335,754
Restatement - new accounting standard	-	-	44,558	44,558
Fund balances - July 1, 2020, as restated	<u>294,451</u>	<u>41,303</u>	<u>44,558</u>	<u>380,312</u>
Fund balances - June 30, 2021	<u>\$ 363,866</u>	<u>\$ 77,043</u>	<u>\$ 47,296</u>	<u>\$ 488,205</u>

*See independent auditor's report*

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

For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Revenues</b>				
Hotel tax - City of Fulton	\$ 10,100	\$ 9,144	\$ 10,297	\$ 1,153
Restaurant tax	76,000	81,854	89,480	7,626
Interest	7,000	8,243	8,387	144
Festival income	38,200	14,506	19,031	4,525
Miscellaneous	500	1,225	1,275	50
Total revenues	<u>131,800</u>	<u>114,972</u>	<u>128,470</u>	<u>13,498</u>
<b>Expenditures</b>				
Clerical services	17,500	17,500	17,500	-
Special projects	5,000	5,000	2,178	(2,822)
Lohaus Field	5,500	10,000	9,806	(194)
Office supplies	200	100	-	(100)
Fourth of July/Christmas	17,000	13,500	13,718	218
Telephone	1,800	1,852	2,020	168
Advertising/printing	1,000	1,000	86	(914)
Travel	2,000	400	300	(100)
Festival expenses	78,000	40,000	6,572	(33,428)
Capital outlay	2,700	25,000	6,799	(18,201)
Postage	200	150	76	(74)
Total expenditures	<u>130,900</u>	<u>114,502</u>	<u>59,055</u>	<u>(55,447)</u>
<b>Net change in fund balance</b>	<b>900</b>	<b>470</b>	<b>69,415</b>	<b>68,945</b>
Fund balance - July 1, 2020	<u>294,451</u>	<u>294,451</u>	<u>294,451</u>	<u>-</u>
Fund balance - June 30, 2021	<u>\$ 295,351</u>	<u>\$ 294,921</u>	<u>\$ 363,866</u>	<u>\$ 68,945</u>

*See independent auditor's report*

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

For the Year Ended June 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Revenues</b>				
State municipal aid	\$ 45,000	\$ 45,055	\$ 45,055	\$ -
Interest	2,800	2,000	2,081	81
Total revenues	<u>47,800</u>	<u>47,055</u>	<u>47,136</u>	<u>81</u>
<b>Expenditures</b>				
Maintenance - streets	70,000	10,000	10,851	851
Sidewalk repair	<u>10,000</u>	<u>1,500</u>	<u>545</u>	<u>(955)</u>
Total expenditures	<u>80,000</u>	<u>11,500</u>	<u>11,396</u>	<u>(104)</u>
<b>Net change in fund balance</b>	<b>(32,200)</b>	<b>35,555</b>	<b>35,740</b>	<b>185</b>
Fund balance - July 1, 2020	<u>41,303</u>	<u>41,303</u>	<u>41,303</u>	<u>-</u>
Fund balance - June 30, 2021	<u>\$ 9,103</u>	<u>\$ 76,858</u>	<u>\$ 77,043</u>	<u>\$ 185</u>

*See independent auditor's report.*



**CITY OF FULTON, KENTUCKY**  
**SCHEDULE OF STATE ASSISTANCE**  
For the Year Ended June 30, 2021

<b>Grantor Agency/ Pass-through Entity/ Program Name</b>	<b>Grant Number</b>	<b>Disbursements</b>
<b>Kentucky Department for Environmental Protection</b> Litter Abatement Program	n/a	\$ 1,248
<b>Kentucky State Fire Commission</b> Fire Rescue Training	n/a	<u>11,000</u>
<b>Total state assistance</b>		<b><u>\$ 12,248</u></b>

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

**CITY OF FULTON, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2021

<b>Grantor Agency/ Pass-through Entity Program Name</b>	<b>CFDA #</b>	<b>Pass-through Entity Identifying Number</b>	<b>Disbursements</b>
<b>U.S. Treasury/</b>			
Commonwealth of Kentucky			
Coronavirus Relief Fund (CRF)	21.019	C143/C2-286	\$ <u>204,199</u>
<b>Total federal awards</b>			<b>\$ <u>204,199</u></b>

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

*See independent auditor's report*

**CITY OF FULTON, KENTUCKY**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**BY INDIVIDUAL ISSUE - ALL FUNDS**  
 June 30, 2021

**GOVERNMENTAL LONG-TERM DEBT**

Year Ended	Kentucky Bond Corporation Financing Program Revenue Bonds - Series 2016C		Total Debt Service
	Principal	Interest	
	2022	\$ 17,656	
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	38,782	1,163	39,945
<b>Totals</b>	<b>\$ 601,622</b>	<b>\$ 175,514</b>	<b>\$ 777,136</b>

**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	
	2022	\$ 65,000	\$ 15,478	\$ 145,677	\$ 137,282	\$ 54,835	
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	60,922	1,347	243,043	118,511	56,927	4,540	485,290
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			319,969	9,599	30,618	115	360,301
<b>Totals</b>	<b>\$ 403,000</b>	<b>\$ 48,798</b>	<b>\$ 4,963,795</b>	<b>\$ 1,448,113</b>	<b>\$ 897,851</b>	<b>\$ 54,879</b>	<b>\$7,816,436</b>

*See independent auditor's report*

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fulton, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2021.

**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 2021-001, 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  
December 29, 2021

**CITY OF FULTON, KENTUCKY**  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2021

**2021-001 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, 2021, were not closed in a timely manner. Fiscal year activity for the Drug Fund checking and savings accounts, Pistol Shoot account, and Police Evidence checking account had not been recorded.

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

Criteria: The Kentucky Cities Financial Manual states that monthly bank reconciliations are a minimum requirement for managing public funds. The 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 recorded and all bank accounts 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 Police Department will reconcile their bank accounts monthly and will scan copies of all to the CFO to be recorded in the City's books.*