

CITY OF FULTON, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2023

CITY OF FULTON, KENTUCKY
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June 30, 2023

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fulton, Kentucky (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Tourism Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Utility Fund	Qualified

Qualified Opinion on the Business-Type Activities and Utility Fund.

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the utility fund of the City as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Governmental Activities, General Fund, Tourism Fund, and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, the tourism fund, and the aggregate remaining fund information of the City as of June 30, 2024, and the respective changes in financial position and the respective budgetary comparison for the general fund and the tourism fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those

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standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to the Qualified Opinions on the Business-Type Activities and the Utility Fund

The inventory count was not conducted by management as of June 30, 2023. Accounting principles generally accepted in the United States of America requires entities to count their inventory once a year. The amount by which this departure would affect the assets, expenses, and the net position of the business-type activities and the utility fund was not able to be determined.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility

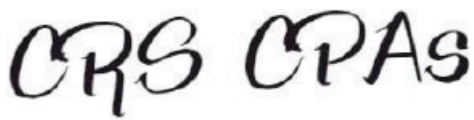
of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS 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's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, Schedule of Expenditures of Federal Awards and State Financial Assistance, and the Schedule of Debt Service Requirements to Maturity by Individual Issue are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, Schedule of Expenditures of Federal Awards and State Financial Assistance, and the Schedule of Debt Service Requirements to Maturity by Individual Issue are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2024 on our consideration of the City'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 the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CRS CPAs". The letters are stylized and cursive.

CRS CPAs, P.C.

Martin, Tennessee
November 29, 2024

CITY OF FULTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the City of Fulton, Kentucky, (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analysis of key elements of the total governmental funds and total enterprise funds have been provided.

Financial Highlights

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

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,660,931 (*net position*). Of this amount, \$(2,871,869) (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$249,540 in addition to a prior period adjustment increasing net position of \$70,010.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,063,638, a decrease of \$190,039 in comparison with the prior year. Of this amount, \$738,081, is available for spending at the government's discretion (*unassigned fund balance*).
- The City's total debt decreased by \$353,581 during the current fiscal year.
- The utility fund (*proprietary funds*) posted a net loss of \$116,639, along with a prior period adjustment of \$50,000 for the year ending June 30, 2023. The net effect was a \$66,639 decrease in net position.

Overview of the Financial Statements

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

Reporting Entity

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

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

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

**CITY OF FULTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Business-type Activities – report revenues as the charges to customers to cover costs of services provided by the City to citizens. The City's utility services are provided here.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City'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 between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

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

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

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

**CITY OF FULTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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

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

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

Proprietary Funds – Services for which the City charges customers a fee are generally reported in proprietary funds. proprietary funds, like the government-wide financial statements, provide both long-term and short-term financial information. The accounting method is accrual accounting, which measures and reports all revenues earned and expenses incurred regardless of when cash flows have happened. There are two different types of proprietary funds: enterprise funds and internal service funds. The City maintains only enterprise funds.

Enterprise funds are the same as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows. The utility fund is considered a major fund.

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

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

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

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

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

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

CITY OF FULTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

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, assets and deferred outflows of resources exceeded liabilities and deferred by inflows of resources \$4,660,931 at the close of the fiscal year.

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

City of Fulton's Net Position
CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 2,614,569	\$ 2,738,675	\$ 1,277,645	\$ 1,793,705	\$ 3,892,214	\$ 4,532,380
Capital assets, net	2,783,586	2,702,590	9,710,177	9,800,158	12,493,763	12,502,748
Total assets	5,398,155	5,441,265	10,987,822	11,593,863	16,385,977	17,035,128
Deferred outflows of resources	736,079	793,199	118,456	257,430	854,535	1,050,629
Total assets and deferred outflows of resources	\$ 6,134,234	\$ 6,234,464	\$ 11,106,278	\$ 11,851,293	\$ 17,240,512	\$ 18,085,757
Current and other liabilities	\$ 219,901	\$ 172,067	\$ 608,301	\$ 459,919	\$ 828,202	\$ 631,986
Long-term liabilities	3,364,663	3,394,381	7,039,280	7,436,604	10,403,943	10,830,985
Total liabilities	3,584,564	3,566,448	7,647,581	7,896,523	11,232,145	11,462,971
Deferred inflows of resources	461,903	467,358	885,533	1,314,967	1,347,436	1,782,325
Net investment in capital assets	2,209,523	2,108,360	3,967,336	3,709,988	6,176,859	5,818,348
Restricted	1,325,557	1,068,937	30,384		1,355,941	1,068,937
Unrestricted	(1,447,313)	(976,639)	(1,424,556)	(1,070,185)	(2,871,869)	(2,046,824)
Total net position	2,087,767	2,200,658	2,573,164	2,639,803	4,660,931	4,840,461
Total liabilities, deferred inflows of resources and net position	\$ 6,134,234	\$ 6,234,464	\$ 11,106,278	\$ 11,851,293	\$ 17,240,512	\$ 18,085,757

During the current fiscal year, the City's net position decreased by \$179,530. This overall decrease resulted from a decrease in current year change in net position as shown on the Government-wide Statement of Activities of \$(249,540) and an increase in a prior period adjustment as shown on the Government-wide Statement of Activities of \$70,010.

**CITY OF FULTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Statement of Activities – Expenses in governmental activities exceeded revenues by \$132,901, in addition to a \$20,010 prior period adjustment to beginning net position. Expenses in business-type activities exceeded revenues by \$116,639, in addition to a \$50,000 prior period adjustment to beginning net position.

Governmental Activities

Revenues for the City's governmental activities increased approximately 13% mostly due to an increase in operating grants and contributions and charges for services. Total expenses for the City's governmental activities increased approximately 10% mostly due to an increase in public safety, general government, and tourism expenditures.

Business-type Activities

In the business-type activities, net position decreased by \$116,639, in addition to a prior period adjustment of \$50,000. Revenues for the City's business-type activities increased approximately 5% mostly due to an increase in capital grant and contributions and other general revenues. Total expenses increased approximately 8% mostly due to an increase in maintenance to the system, professional fees, and miscellaneous expense.

The following table provides a summary of the City's operation for the year ended June 30, 2023, with comparative totals for the governmental activities and business-type activities for the year ended June 30, 2022.

City of Fulton's Statement of Activities						
CONDENSED STATEMENT OF ACTIVITIES						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 214,976	\$ 127,562	\$ 2,821,502	\$ 2,737,238	\$ 3,036,478	\$ 2,864,800
Capital grants & contributions	-	-	43,000	-	43,000	-
Operating grants & contributions	100,554	-	-	-	100,554	-
General revenues						
Taxes and licenses	351,806	301,164	-	-	351,806	301,164
Other	1,954,400	1,882,098	53,876	41,228	2,008,276	1,923,326
Transfers	210,800	202,423	(210,800)	(202,423)	-	-
Total revenues	<u>2,832,536</u>	<u>2,513,247</u>	<u>2,707,578</u>	<u>2,576,043</u>	<u>5,540,114</u>	<u>5,089,290</u>
Expenses						
General government	367,064	265,522	-	-	367,064	265,522
Public safety	1,654,663	1,437,534	-	-	1,654,663	1,437,534
Public works - general	303,400	386,020	-	-	303,400	386,020
Highways and streets	67,114	133,480	-	-	67,114	133,480
Parks and cemeteries	116,701	122,225	-	-	116,701	122,225
Tourism	333,325	143,535	-	-	333,325	143,535
Utilities	-	-	2,824,217	2,621,237	2,824,217	2,621,237
Non-departmental	95,318	189,826	-	-	95,318	189,826
Debt service expenses	27,852	29,228	-	-	27,852	29,228
Total expenses	<u>2,965,437</u>	<u>2,707,370</u>	<u>2,824,217</u>	<u>2,621,237</u>	<u>5,789,654</u>	<u>5,328,607</u>
Changes in net position	(132,901)	(194,123)	(116,639)	(45,194)	(249,540)	(239,317)
Net position, beginning	2,200,658	2,347,307	2,639,803	2,856,445	4,840,461	5,203,752
Prior period adjustment	20,010	47,474	50,000	(171,448)	70,010	(123,974)
Net position, beginning, restated	<u>2,220,668</u>	<u>2,394,781</u>	<u>2,689,803</u>	<u>2,684,997</u>	<u>4,910,471</u>	<u>5,079,778</u>
Net position, ending	<u>\$ 2,087,767</u>	<u>\$ 2,200,658</u>	<u>\$ 2,573,164</u>	<u>\$ 2,639,803</u>	<u>\$ 4,660,931</u>	<u>\$ 4,840,461</u>

Comments on Fund Financial Statements

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

**CITY OF FULTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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 the City's net resources available for spending at the end of the fiscal year.

The general fund accounts for approximately 91% of governmental fund revenues. Accordingly, this discussion will focus on the general fund. General fund balance was \$1,632,291 at the end of the current fiscal year, a decrease in fund balance of \$74,143, including a prior period adjustment of \$22,190. Of the balance, \$738,081, is available to meet the day-to-day needs of the City. Revenues increased from the prior year by \$329,521 primarily due to an increase in other revenues and charges for services in the current year. Expenditures increased from the prior year by \$290,947 primarily due to an increase in public safety expenditures and general government expenditures. A budget comparison statement with necessary amendments has been provided in the attached report to demonstrate compliance with the budget.

Proprietary Fund - The City of Fulton's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the proprietary fund at the end of the year was \$2,573,164. The total decrease in net position for this fund was \$66,639.

General Fund Budgetary Highlights

Final Budgeted and Actual Amounts

Actual revenues and other financing sources for the general fund were over the budgeted amounts by \$128,099. Expenditures and other financing uses were under budget by \$324,056. Significant variances are as follows:

- Payroll tax revenue was over budgeted amounts by \$67,988.
- State grant revenue was over budgeted amounts by \$68,829.
- Total administrative expenditures were over budgeted amounts by \$34,501.
- Total finance expenditures were over budgeted amounts by \$41,570.
- Total fire department expenditures were over budgeted amounts by \$18,429.
- Total public works expenditures were under budgeted amounts by \$501,146.
- Total non-departmental expenditures were over budgeted amounts by \$51,647.

Capital Asset and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business type activities as of June 30, 2023, amounts to \$12,493,763 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and systems, improvements other than buildings, machinery and equipment. This amount represents a less than 1% decrease in comparison with the prior year. During the current fiscal year, there were purchases of a building, vehicles and equipment and adjustments to depreciation.

**CITY OF FULTON, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Debt - At the end of the current fiscal year, the City had total debt outstanding, which includes revenue bonds payable, of \$6,286,520, all of which is backed by the full faith and credit of the government. The governmental activities had \$574,063 debt outstanding and business-type activities had \$5,712,457 debt outstanding at year end.

The City of Fulton's total debt, which includes the revenue bonds payable, decreased by \$353,581 during the current fiscal year.

Economic Factors and Next Year's Budget and Rates

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash	\$ 594,842	\$ 1,390,359	\$ 1,985,201
Taxes receivable, net of allowance	202,486	-	202,486
Accounts receivable, net of allowance	-	223,591	223,591
Inventory	-	26,252	26,252
Prepaid assets	380	43,510	43,890
Other taxes receivable	414,626	-	414,626
Due to/from other funds	406,067	(406,067)	-
Due from other governments	101,958	-	101,958
Restricted cash:			
Cash and cash equivalents	894,210	-	894,210
Total current assets	<u>2,614,569</u>	<u>1,277,645</u>	<u>3,892,214</u>
Noncurrent Assets			
Restricted cash:			
Cash in bond-related accounts	-	30,384	30,384
Capital assets, not being depreciated:			
Land and construction in progress	269,920	-	269,920
Capital assets, being depreciated, net of accumulated depreciation	<u>2,513,666</u>	<u>9,679,793</u>	<u>12,193,459</u>
Total noncurrent assets	<u>2,783,586</u>	<u>9,710,177</u>	<u>12,493,763</u>
Total Assets	<u>5,398,155</u>	<u>10,987,822</u>	<u>16,385,977</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	466,873	18	466,891
Deferred outflows related to other postemployment benefits	269,206	118,438	387,644
Total Deferred Outflows of Resources	<u>736,079</u>	<u>118,456</u>	<u>854,535</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,134,234</u>	<u>\$ 11,106,278</u>	<u>\$ 17,240,512</u>

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

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-type Activities	Total
Liabilities			
Current Liabilities			
Accounts payable	\$ 80,432	\$ 59,416	\$ 139,848
Payroll liabilities	102,166	19,385	121,551
Accrued expenses	-	7,829	7,829
Customer deposits	15,323	219,656	234,979
Bonds and notes payable - current	21,980	302,015	323,995
Total current liabilities	<u>219,901</u>	<u>608,301</u>	<u>828,202</u>
Noncurrent Liabilities			
Compensated absences	78,779	-	78,779
Net pension liability	2,139,974	1,280,795	3,420,769
Net other postemployment benefits liability	595,248	338,441	933,689
Unamortized bond premium (discount)	(1,421)	9,602	8,181
Bonds and notes payable - noncurrent	552,083	5,410,442	5,962,525
Total noncurrent liabilities	<u>3,364,663</u>	<u>7,039,280</u>	<u>10,403,943</u>
Total Liabilities	<u>3,584,564</u>	<u>7,647,581</u>	<u>11,232,145</u>
Deferred Inflows of Resources			
Deferred revenue - property taxes	294,484	-	294,484
Deferred revenue - grant revenue	-	514,768	514,768
Deferred inflows related to pensions	407	134,143	134,550
Deferred inflows related to other postemployment benefits	167,012	236,622	403,634
Total Deferred Inflows of Resources	<u>461,903</u>	<u>885,533</u>	<u>1,347,436</u>
Net Position			
Investment in capital assets	2,209,523	3,967,336	6,176,859
Restricted	1,325,557	30,384	1,355,941
Unrestricted	(1,447,313)	(1,424,556)	(2,871,869)
Total net position	<u>2,087,767</u>	<u>2,573,164</u>	<u>4,660,931</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 6,134,234</u></u>	<u><u>\$ 11,106,278</u></u>	<u><u>\$ 17,240,512</u></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, 2023

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
	Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government activities:						
General government	\$ 367,064			\$ (367,064)	\$ -	\$ (367,064)
Public safety	1,654,663			(1,475,167)	-	(1,475,167)
Public works - general	303,400			(303,015)	-	(303,015)
Highways and streets	67,114			(67,114)	-	(67,114)
Parks and cemeteries	116,701			(81,606)	-	(81,606)
Tourism	333,325			(232,771)	-	(232,771)
Non-departmental	95,318		100,554	(95,318)	-	(95,318)
Debt service expenses	27,852			(27,852)	-	(27,852)
Total governmental activities	2,965,437		100,554	(2,649,907)	-	(2,649,907)
Business-type activities:						
Public utilities	2,824,217	43,000		-	40,285	40,285
Total business-type activities	2,824,217	43,000		-	40,285	40,285
Total	\$ 5,789,654	\$ 43,000	\$ 100,554	(2,649,907)	40,285	(2,609,622)
General revenues						
Property taxes				351,806	-	351,806
Intergovernmental revenues				106,529	-	106,529
Franchise taxes				62,454	-	62,454
Payments in lieu of tax				25,756	-	25,756
Alcoholic beverage control regulatory fees				412,432	-	412,432
Payroll taxes				858,988	-	858,988
Insurance premium tax				96,005	-	96,005
Hotel and restaurant taxes				115,458	-	115,458
Festival revenue				54,287	-	54,287
Business and other licenses				33,775	-	33,775
Interest				63,442	53,876	117,318
Gain on disposition of assets				7,116	-	7,116
Miscellaneous				118,158	-	118,158
Transfers				210,800	(210,800)	-
Total general revenues and transfers				2,517,006	(156,924)	2,360,082
Change in net position				(132,901)	(116,639)	(249,540)
Net position - Beginning				2,200,658	2,639,803	4,840,461
Prior period adjustment				20,010	50,000	70,010
Net position - Beginning - Restated				2,220,668	2,689,803	4,910,471
Net position - Ending				\$ 2,087,767	\$ 2,573,164	\$ 4,660,931

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

CITY OF FULTON, KENTUCKY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Tourism Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 100,693	\$ 272,057	\$ 222,092	\$ 594,842
Property taxes receivable, net	202,486	-	-	202,486
Other taxes receivable	414,626	-	-	414,626
Due from other governments	101,958	-	-	101,958
Due from other funds	455,592	-	1,300	456,892
Prepaid expense	380	-	-	380
Restricted cash	894,210	-	-	894,210
Total Assets	<u>\$ 2,169,945</u>	<u>\$ 272,057</u>	<u>\$ 223,392</u>	<u>\$ 2,665,394</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 65,855	\$ 10,253	\$ 4,324	\$ 80,432
Payroll liabilities	102,166	-	-	102,166
Customer deposits	15,323	-	-	15,323
Due to other funds	1,300	8,951	40,574	50,825
Total Liabilities	<u>184,644</u>	<u>19,204</u>	<u>44,898</u>	<u>248,746</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	353,010	-	-	353,010
Total Deferred Inflows of Resources	<u>353,010</u>	<u>-</u>	<u>-</u>	<u>353,010</u>
FUND BALANCES				
Restricted	894,210	252,853	178,494	1,325,557
Unassigned	738,081	-	-	738,081
Total Fund Balances	<u>1,632,291</u>	<u>252,853</u>	<u>178,494</u>	<u>2,063,638</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,169,945</u>	<u>\$ 272,057</u>	<u>\$ 223,392</u>	<u>\$ 2,665,394</u>

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

CITY OF FULTON, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

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

Total fund balances of governmental funds	\$ 2,063,638
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,783,586
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.	
Add: Deferred outflows of resources related to pensions	466,873
Add: Deferred outflows of resources related to other post employment benefits	269,206
Less: Deferred inflows of resources related to pensions	(407)
Less: Deferred inflows of resources related to other post employment benefits	(167,012)
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds.	
Property taxes	58,526
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	(78,779)
Unamortized bond premium (discount)	1,421
Notes from direct borrowings	(574,063)
Other post employment benefits liability	(595,248)
Net pension liability	<u>(2,139,974)</u>
Net position of governmental activities	<u>\$ 2,087,767</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
June 30, 2023

	General Fund	Tourism Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Local taxes	\$ 1,803,182	\$ 115,458	\$ -	\$ 1,918,640
Intergovernmental	194,388	-	46,470	240,858
Charges for services	214,976	-	-	214,976
Interest	45,011	-	7,808	52,819
Festival income	-	54,287	-	54,287
Other revenue	124,462	812	-	125,274
Total Revenues	<u>2,382,019</u>	<u>170,557</u>	<u>54,278</u>	<u>2,606,854</u>
Expenditures				
Current:				
General government	353,089	-	-	353,089
Public safety	1,457,419	-	-	1,457,419
Public works - general	290,305	-	-	290,305
Highways and streets	67,381	-	7,406	74,787
Parks and cemeteries	109,028	-	-	109,028
Tourism	-	333,325	-	333,325
Non-departmental	212,759	-	-	212,759
Debt service:				
Principal	20,167	-	-	20,167
Interest	27,743	-	-	27,743
Capital Outlay:				
Public safety	16,849	-	-	16,849
Public works - general	9,320	-	-	9,320
Parks and cemeteries	80,712	-	-	80,712
Total Expenditures	<u>2,644,772</u>	<u>333,325</u>	<u>7,406</u>	<u>2,985,503</u>
Revenues Over (Under) Expenditures	(262,753)	(162,768)	46,872	(378,649)
Other Financing Sources(Uses)				
Transfer in - payments in lieu of tax	210,800	-	-	210,800
Total Other Financing Sources	<u>210,800</u>	<u>-</u>	<u>-</u>	<u>210,800</u>
Net Change in Fund Balance	<u>(51,953)</u>	<u>(162,768)</u>	<u>46,872</u>	<u>(167,849)</u>
Fund Balances - Beginning	<u>1,706,434</u>	<u>415,621</u>	<u>131,622</u>	<u>2,253,677</u>
Prior period adjustment	<u>(22,190)</u>	<u>-</u>	<u>-</u>	<u>(22,190)</u>
Fund Balances - Beginning - Restated	<u>1,684,244</u>	<u>415,621</u>	<u>131,622</u>	<u>2,231,487</u>
Fund Balance - Ending	<u><u>\$ 1,632,291</u></u>	<u><u>\$ 252,853</u></u>	<u><u>\$ 178,494</u></u>	<u><u>\$ 2,063,638</u></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, 2023

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

Net change in fund balances of governmental funds	\$ (167,849)
<p>Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation in the current period exceeded capital outlay.</p>	
Excess capital outlay less depreciation	38,796
<p>The actuarially determined other post employment benefit expense does not consume current financial resources and, therefore, is not reported in the governmental funds. It is reported as income/expenses in the statement of activities.</p>	
	(20,613)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Long-term debt repayments	20,167
Bond discount amortization	(109)
<p>The liabilities for future compensated absences and landfill closure/postclosure costs do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds.</p>	
Compensated absences	(18,175)
<p>Some revenues will not be collected for several months after the City's fiscal year ends; therefore, they are not considered "available" revenues in the governmental funds.</p>	
Deferred tax revenues increased by this amount this year.	14,882
Change in net position of governmental activities	<u><u>\$ (132,901)</u></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, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
REVENUES				
Local Taxes				
Property taxes	\$ 416,000	\$ 357,961	\$ 336,924	\$ (21,037)
Interest and penalties	6,500	10,000	10,623	623
Payments in lieu of tax	27,000	25,757	25,756	(1)
Franchise taxes	58,500	63,500	62,454	(1,046)
Alcoholic beverage control regulatory fee	415,000	428,000	412,432	(15,568)
Insurance premium tax	90,000	95,920	96,005	85
Payroll taxes	850,000	791,000	858,988	67,988
Total local taxes	1,863,000	1,772,138	1,803,182	31,044
Intergovernmental Revenues				
Business licenses	25,000	24,000	25,725	1,725
Alcoholic beverage control licenses	7,500	7,850	8,050	200
County court fees	6,000	3,700	3,534	(166)
Fire department revenue	1,000	500	1,997	1,497
State grant funds	11,000	31,725	100,554	68,829
State incentive revenue	40,000	40,000	42,119	2,119
Law enforcement fees	7,000	9,500	11,454	1,954
Code enforcement revenue	6,000	1,000	955	(45)
Total intergovernmental revenues	103,500	118,275	194,388	76,113
Charges for Services				
Rent	15,800	18,400	18,295	(105)
Building permits	1,500	360	385	25
City stickers	40,000	33,365	34,666	1,301
School resource officer	81,271	144,830	144,830	-
Cemetery lots	6,500	6,500	6,500	-
Cemetery openings and upkeep	11,000	11,400	10,300	(1,100)
Total charges for services	156,071	214,855	214,976	121
Fines, Forfeitures, and Penalties				
Drug fund revenue	7,000	-	-	-
Total fines, forfeitures, and penalties	7,000	-	-	-
Other Revenue				
Sale of property	20,000	4,165	7,116	2,951
Interest income	12,500	12,500	45,011	32,511
Damage awards	25,000	25,000	4,598	(20,402)
Miscellaneous income	10,200	106,987	112,748	5,761
Total other revenue	67,700	148,652	169,473	20,821
Total revenues	\$ 2,197,271	\$ 2,253,920	\$ 2,382,019	\$ 128,099

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, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES				
Administrative				
Salaries	\$ 39,999	\$ 104,560	\$ 139,910	\$ 35,350
Retirement/pension	-	4,000	19,860	15,860
Unemployment	11,787	6,847	32	(6,815)
Hospitalization	4,000	43,999	-	(43,999)
Life/dental	3,366	11,787	1,209	(10,578)
Social security	-	-	6,536	6,536
Health insurance	-	-	14,678	14,678
Other benefits	45	-	585	585
Office supplies	1,500	1,650	48,181	46,531
Technical supplies	500	200	240	40
Dues and subscriptions	800	-	917	917
Motor fuel/oil	1,600	39	40	1
Telephone	420	400	360	(40)
Advertising/printing	3,500	2,500	2,610	110
Travel	3,000	3,000	4,032	1,032
Insurance	5,225	5,035	5,036	1
Professional/technical services	4,500	11,000	18,099	7,099
Training	1,500	2,100	4,240	2,140
Capital expenditures	-	-	8,205	8,205
Miscellaneous	50,200	61,000	6,752	(54,248)
Duplicate charges	-	(76,528)	(65,432)	11,096
Total administrative	131,942	181,589	216,090	34,501
Finance Department				
Salaries	204,806	204,807	177,840	(26,967)
Overtime/help	2,000	2,000	1,520	(480)
Retirement/pension	49,108	49,108	47,304	(1,804)
Unemployment	211	210	103	(107)
Hospitalization	45,739	45,739	-	(45,739)
Life/Dental	528	528	214	(314)
Social security	15,821	15,821	13,136	(2,685)
Health insurance	-	-	37,737	37,737
Worker's Compensation	1,537	1,537	-	(1,537)
Other benefits	1,400	1,400	843	(557)
Maintenance - fixtures	1,500	1,500	2,158	658
Utilities	7,500	7,900	9,400	1,500
Office Supplies	1,200	4,500	7,784	3,284
Technical supplies	1,500	6,500	7,608	1,108
Cleaning supplies	1,000	1,600	2,837	1,237
Dues and subscriptions	275	252	2,456	2,204
Postage	1,000	1,000	219	(781)
Telephone	1,680	1,200	1,810	610
Advertising/printing	-	1,700	1,683	(17)
Travel	2,000	-	-	-
Insurance	3,042	3,040	3,041	1
Professional/technical services	-	4,500	35,802	31,302
Training/registration	1,500	500	1,944	1,444
Miscellaneous	200	-	3,590	3,590
Duplicate charges	(256,913)	(259,913)	(222,030)	37,883
Total finance department	86,634	95,429	136,999	41,570

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, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (Continued)				
Code Compliance				
Salaries	\$ 45,350	\$ 45,350	\$ 47,466	\$ 2,116
Retirement/pension	12,149	12,149	11,703	(446)
Unemployment	46	46	19	(27)
Hospitalization	11,872	11,872	-	(11,872)
Life/dental	132	132	66	(66)
Social security	3,469	3,469	3,443	(26)
Health insurance	-	-	9,795	9,795
Other benefits	105	105	-	(105)
Clothing	350	350	666	316
Maintenance - vehicles/equipment	300	500	1,810	1,310
Office supplies	500	2,300	2,528	228
Technical supplies	1,000	1,000	171	(829)
Dues and subscriptions	1,250	1,000	812	(188)
Motor fuel/oil	600	200	1,320	1,120
Postage	500	500	(1)	(501)
Telephone	720	400	564	164
Advertising/printing	250	250	(180)	(430)
Travel	2,000	1,000	759	(241)
Insurance	3,042	3,041	3,205	164
Professional/technical services	5,500	13,000	14,879	1,879
Training	1,500	500	958	458
Code enforcement	50,000	50,000	38,736	(11,264)
Capital expenditures	-	-	6,750	6,750
Miscellaneous	250	-	-	-
Total code compliance	140,885	147,164	145,469	(1,695)
Police Department				
Salaries	414,873	371,000	392,593	21,593
Overtime/help	50,000	71,524	59,734	(11,790)
Retirement/pension	128,022	113,000	123,321	10,321
Unemployment	511	511	215	(296)
Hospitalization	122,801	122,801	-	(122,801)
Life/dental	1,188	1,188	643	(545)
Social security	38,317	32,231	35,891	3,660
Health insurance	-	-	101,318	101,318
Worker's compensation	44,842	37,995	38,999	1,004
Clothing	5,000	5,000	3,854	(1,146)
Incentive	36,000	36,000	34,232	(1,768)
Other benefits	700	700	221	(479)
Maintenance-fixtures	6,500	5,000	7,495	2,495
Maintenance-vehicles/equipment	13,500	11,000	15,893	4,893
Utilities	6,000	8,000	9,942	1,942
Alcoholic beverage control expenses	10,000	6,000	18	(5,982)
School resource officer expense	2,000	1,500	-	(1,500)
Technical supplies	12,500	7,500	1,778	(5,722)
Office supplies	4,000	1,500	270	(1,230)
Cleaning supplies	500	300	300	-
Dues and subscriptions	700	1,100	1,270	170
Motor fuel/oil	30,000	30,000	26,165	(3,835)
Postage	700	700	354	(346)
Telephone	8,200	7,300	10,068	2,768
Advertising/printing	500	300	814	514

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, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (Continued)				
Police Department (Continued)				
Travel	\$ 6,000	\$ 4,000	\$ 4,077	\$ 77
Insurance	49,910	48,660	48,660	-
Professional/technical services	3,000	3,500	13,295	9,795
Training	1,000	1,000	1,162	162
Program implements	600	1,300	199	(1,101)
Animal control	3,600	3,600	4,643	1,043
Dispatch expense	43,366	43,366	40,092	(3,274)
Drug fund expenditures	7,000	-	6,588	6,588
Miscellaneous	1,000	5,100	6,651	1,551
Capital expenditures	35,000	30,000	16,849	(13,151)
Total police department	1,087,830	1,012,676	1,007,604	(5,072)
Fire Department				
Salaries	57,000	65,000	63,752	(1,248)
Retirement/pension	16,074	16,074	15,484	(590)
Unemployment	62	62	26	(36)
Hospitalization	17,790	17,790	-	(17,790)
Life/dental	132	132	8	(124)
Social security	4,667	4,667	4,824	157
Health insurance	-	-	14,678	14,678
Worker's compensation	5,018	5,018	5,201	183
Clothing	1,200	1,200	2,909	1,709
Incentive	4,000	4,000	667	(3,333)
Other benefits	130	130	763	633
Maintenance-fixtures	3,000	8,000	13,044	5,044
Maintenance-vehicles/equipment	11,000	32,000	33,742	1,742
Utilities	6,000	8,000	4,601	(3,399)
State aid expense	11,000	11,000	11,872	872
Volunteer fire expenditures	50,500	50,000	50,535	535
Fire prevention	1,700	2,200	2,347	147
Technical supplies	12,000	16,000	19,255	3,255
Office supplies	1,000	4,300	4,924	624
Cleaning supplies	500	600	891	291
Dues and subscriptions	1,000	500	1,209	709
Motor fuel/oil	4,500	3,000	4,399	1,399
Grant expense	1,000	-	495	495
Postage	250	250	64	(186)
Telephone	1,000	1,000	953	(47)
Advertising/printing	350	1,000	743	(257)
Travel	2,500	1,500	5,899	4,399
Insurance	16,531	15,700	15,799	99
Professional/technical services	6,000	5,500	14,037	8,537
Training	4,000	1,400	3,716	2,316
Dispatch expense	12,250	12,746	18,897	6,151
Miscellaneous	200	-	61	61
Capital expenditures	-	14,000	5,400	(8,600)
Total fire department	252,354	302,769	321,195	18,426

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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
EXPENDITURES (Continued)				
Public Works				
Salaries	\$ 492,195	\$ 416,912	\$ 463,913	\$ 47,001
Overtime/help	18,000	68,779	52,223	(16,556)
Retirement/pension	131,323	131,323	126,501	(4,822)
Unemployment	520	520	254	(266)
Hospitalization	96,976	96,976	-	(96,976)
Life/dental	1,584	1,584	520	(1,064)
Social security	39,030	39,030	39,595	565
Health insurance	-	-	80,011	80,011
Workers' compensation	37,597	37,597	49,342	11,745
Postage	-	-	9	9
Motor fuel/oil	-	-	86	86
Clothing	7,000	7,000	9,783	2,783
Other benefits	1,050	1,050	1,613	563
Office supplies	-	-	25	25
Capital expenditures	-	-	9,320	9,320
Duplicate charges	-	-	(533,570)	(533,570)
Total public works	<u>825,275</u>	<u>800,771</u>	<u>299,625</u>	<u>(501,146)</u>
Street Department				
Maintenance - buildings/grounds	42,000	1,100	1,178	78
Maintenance - fixtures	1,200	1,100	4,274	3,174
Maintenance - vehicles/equipment	11,000	5,000	7,439	2,439
Utilities	19,000	18,500	22,698	4,198
Technical supplies	6,500	5,000	4,964	(36)
Office supplies	700	600	868	268
Cleaning supplies	150	150	1,186	1,036
Dues and subscriptions	-	25	6	(19)
Street sweeping	4,000	-	11	11
Litter abatement	1,800	1,800	-	(1,800)
Motor fuel/oil	3,200	3,200	3,002	(198)
Insurance	5,327	5,117	5,118	1
Professional/technical services	2,000	1,000	574	(426)
Street markers	2,000	4,200	8,135	3,935
Capital expenditures	-	7,800	7,673	(127)
Miscellaneous	200	-	255	255
Total street department	<u>99,077</u>	<u>54,592</u>	<u>67,381</u>	<u>12,789</u>
Parks and Cemeteries Department				
Salaries	38,400	13,000	12,777	(223)
Overtime	4,067	4,067	-	(4,067)
Retirement	1,000	1,000	-	(1,000)
Social security	1,800	1,800	978	(822)
Maintenance - buildings/grounds	10,000	3,000	6,312	3,312
Maintenance - fixtures	2,000	5,500	6,450	950
Maintenance - vehicles/equipment	6,000	5,500	9,771	4,271
Utilities	11,000	12,500	14,023	1,523
Technical supplies	2,000	6,500	8,049	1,549
Office supplies	250	1,100	2,136	1,036
Women's club expenditures	22,500	15,000	4,468	(10,532)
Community center expenditures	13,500	11,500	15,737	4,237
Motor fuel/oil	5,500	5,500	6,105	605
Insurance	12,842	11,814	11,815	1
Professional/technical services	1,200	3,500	3,866	366

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, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
EXPENDITURES (Continued)				
Parks and Cemeteries Department (Continued)				
Miscellaneous	\$ 200	\$ 57,793	\$ 14,214	\$ (43,579)
Capital expenditures	-	15,345	73,039	57,694
Total Parks and Cemeteries	<u>132,259</u>	<u>174,419</u>	<u>189,740</u>	<u>15,321</u>
Non-Departmental				
Maintenance - buildings/grounds	-	500	5,849	5,349
Shop expense	20,000	10,000	15,430	5,430
Grant expenditures	-	37,000	112,191	75,191
Postage	-	300	78	(222)
PVA - tax roll	5,000	5,000	233	(4,767)
Service contracts	14,000	14,000	15,151	1,151
Audit	9,000	9,000	9,500	500
General liability insurance	15,000	12,137	16,957	4,820
Chamber of Commerce	1,200	1,200	-	(1,200)
Airport	5,500	5,500	4,160	(1,340)
Library	5,000	5,000	5,008	8
Detention center meals	20,000	10,000	1,958	(8,042)
Kentucky municipal league	850	850	-	(850)
Purchase area development	500	500	-	(500)
Contingency	25,000	35,000	8,356	(26,644)
Tourism expense	-	125	125	-
Economic development	15,000	15,000	17,763	2,763
Total Non-Departmental	<u>136,050</u>	<u>161,112</u>	<u>212,759</u>	<u>51,647</u>
Debt Service				
Debt payment	20,167	20,167	20,167	-
Interest on debt	18,140	18,140	27,743	9,603
Total debt service	<u>38,307</u>	<u>38,307</u>	<u>47,910</u>	<u>9,603</u>
Total expenditures	<u>2,930,613</u>	<u>2,968,828</u>	<u>2,644,772</u>	<u>(324,056)</u>
Revenues Over (Under) Expenditures	<u>(733,342)</u>	<u>(714,908)</u>	<u>(262,753)</u>	<u>452,155</u>
Other Financing Source (Uses)				
Transfer in - payments in lieu of tax	210,800	210,800	210,800	-
Total other financing source (uses)	<u>210,800</u>	<u>210,800</u>	<u>210,800</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (522,542)</u>	<u>\$ (504,108)</u>	<u>(51,953)</u>	<u>\$ 452,155</u>
Fund Balance - Beginning			1,706,434	
Prior Period Adjustment			<u>(22,190)</u>	
Fund Balance - Beginning - Restated			<u>1,684,244</u>	
Fund Balance - Ending			<u>\$ 1,632,291</u>	

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

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - TOURISM FUND
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>
Revenues				
Hotel tax - City of Fulton	\$ 11,500	\$ 12,500	\$ 14,697	\$ 2,197
Restaurant tax	95,000	89,000	100,761	11,761
Interest	7,200	7,200	-	(7,200)
Festival income	50,000	40,000	54,287	14,287
Miscellaneous	1,000	557	812	255
Grant revenue	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>464,700</u>	<u>149,257</u>	<u>170,557</u>	<u>21,300</u>
Expenditures				
Clerical services	52,500	52,500	16,500	(36,000)
Special projects	161,000	154,432	157,019	2,587
Lohaus field	-	4,935	6,124	1,189
Office supplies	1,000	2,326	2,326	-
Telephone	2,000	2,000	1,925	(75)
Advertising/printing	8,000	4,537	8,953	4,416
Travel	3,000	384	654	270
Festival expenses	140,000	114,596	136,714	22,118
Capital outlay	2,500	-	-	-
Postage	800	800	90	(710)
Professional services	10,000	304	2,368	2,064
Utilities	-	-	483	483
Miscellaneous expense	<u>2,700</u>	<u>115</u>	<u>169</u>	<u>54</u>
Total expenditures	<u>383,500</u>	<u>336,929</u>	<u>333,325</u>	<u>(3,604)</u>
Net Change in Fund Balance	<u>\$ 81,200</u>	<u>\$ (187,672)</u>	<u>(162,768)</u>	<u>\$ 24,904</u>
Fund Balance - Beginning			<u>415,621</u>	
Fund Balance - Ending			<u>\$ 252,853</u>	

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

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2023

	Utility Fund
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,390,359
Accounts receivable (net)	223,591
Inventory	26,252
Prepaid expenses	43,510
Total current assets	<u>1,683,712</u>
Noncurrent Assets	
Restricted cash:	
Cash in bond-related accounts	30,384
Capital assets, net of accumulated depreciation:	
Utility plant in service	9,679,793
Total noncurrent assets	<u>9,710,177</u>
Total Assets	<u>11,393,889</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	18
Deferred outflows related to other postemployment benefits	118,438
Total Deferred Outflows of Resources	<u>118,456</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 11,512,345</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 59,416
Payroll liabilities	19,385
Accrued expenses	7,829
Customer deposits	219,656
Due to other funds	406,067
Bonds and notes payable - current	302,015
Total current liabilities	<u>1,014,368</u>
Noncurrent Liabilities	
Net pension liability	1,280,795
Net other postemployment benefit liability	338,441
Unamortized bond premium (discount), net	9,602
Bonds and notes payable - noncurrent	5,410,442
Total noncurrent liabilities	<u>7,039,280</u>
Total Liabilities	<u>8,053,648</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	134,143
Deferred inflows related to other postemployment benefits	236,622
Unearned grant revenue	514,768
Total deferred inflows of resources	<u>885,533</u>
Total Liabilities and Deferred Inflows of Resources	<u>8,939,181</u>
NET POSITION	
Investment in capital assets	3,967,336
Restricted for debt service	30,384
Unrestricted	(1,424,556)
Total Net Position	<u>2,573,164</u>
Total Liabilities, Deferred Inflows of Resources, Net Position	<u><u>\$ 11,512,345</u></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, 2023

	Utility Fund
Operating Revenues	
Utility sales	\$ 2,590,042
Federal grant revenue	43,000
Miscellaneous	20,660
Total operating revenues	<u>2,653,702</u>
Operating Expenses	
Personnel/administrative costs	763,210
Gas purchases	433,036
Depreciation	336,896
Technical supplies	53,800
Maintenance	32,500
Maintenance to system	220,013
Utilities	185,681
Advertising and printing	631
Professional services	245,292
PILOT	210,800
Postage	9,278
Insurance	45,754
Equipment rental	65
Telephone	1,164
Motor fuel and oil	21,280
Training	662
Office and cleaning supplies	10,347
Travel and registrations	389
Dues and subscriptions	2,093
Audit expense	10,500
Dispatch expense	25,541
Miscellaneous	63,692
Total operating expenses	<u>2,672,624</u>
Operating Income (Loss)	<u>(18,922)</u>
Non-operating revenues (expenses)	
Interest earnings	53,876
Bond amortization expense	(902)
Interest expense	(150,691)
Total non-operating revenues (expenses)	<u>(97,717)</u>
Change in Net Position	<u>(116,639)</u>
Net Position - Beginning	<u>2,639,803</u>
Prior period adjustments	<u>50,000</u>
Net Position - Beginning - Restated	<u>2,689,803</u>
Net Position - Ending	<u><u>\$ 2,573,164</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF FULTON, KENTUCKY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2023

	<u>Utility Fund</u>
Cash Flows From Operating Activities	
Cash received from customers	\$ 2,619,361
Cash payments to suppliers	(1,608,833)
Cash payments for employees services and benefits	(755,124)
Net cash provided by operating activities	<u>255,404</u>
Cash Flows From Non-Capital Financing Activities	
Increase in due to/from other funds	<u>275,463</u>
Net cash used by non-capital financing activities	<u>275,463</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(246,798)
Payments on principal of long-term debt	(279,143)
Interest payments on long-term debt	(160,293)
Net cash used by capital and related financing activities	<u>(686,234)</u>
Cash Flows From Investing Activities	
Interest income	<u>53,876</u>
Net cash provided by investing activities	<u>53,876</u>
Net Increase in Cash and Cash Equivalents	(101,491)
Cash and Cash Equivalents - Beginning	<u>1,522,234</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 1,420,743</u></u>
Unrestricted cash and cash equivalents on deposit	\$ 1,390,359
Restricted cash and cash	30,384
Total Cash and Cash Equivalents	<u><u>\$ 1,420,743</u></u>

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

Operating income (loss)	\$ (18,922)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	336,896
(Increase) Decrease in deferred outflows	138,974
Increase (Decrease) in deferred inflows	(386,434)
(Increase) Decrease in accounts receivable	8,385
Increase (Decrease) in accounts payable	(31,391)
Increase (Decrease) in other accrued expenses	(11,299)
Increase (Decrease) in payroll liabilities	19,385
Increase (Decrease) in customer deposits	275
Increase (Decrease) in unearned grant revenue	(43,000)
Increase (Decrease) in net pension liability	252,711
Increase (Decrease) in net other postemployment benefit liability	(10,176)
Total adjustments	<u>274,326</u>
Net Cash Provided by Operating Activities	<u><u>\$ 255,404</u></u>

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

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary fund:

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

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

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

Cash

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

Receivables and Payables

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

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Capital Assets

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Compensated Absences

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

Pensions

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

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other Postemployment Benefits

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

Long-Term Obligations

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

Fund Balance/Net Position

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

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

As of June 30, 2023, the City had restricted fund balance of \$45,750 for Drug and Police Evidence Funds, \$826,033 for alcoholic beverage funds, \$22,427 for unexpended grant funds, \$252,853 for Tourism, \$102,401 for municipal aid funds, and \$76,093 for cemetery maintenance.

In the Utility Fund, restricted net position of \$30,384 is reported for the replacement reserve fund required by the 2016 Kentucky Infrastructure loan agreement.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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, 2023, 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, 2023. The allowance for uncollectible property taxes was \$58,525 at June 30, 2023.

C. Capital Assets

Governmental capital asset activity for the year ended June 30, 2023, is shown below.

Governmental activities:	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land	\$ 269,920	\$ -	\$ -	\$ -	269,920
Construction in progress	<u>27,530</u>	<u>-</u>	<u>-</u>	<u>(27,530)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>297,450</u>	<u>-</u>	<u>-</u>	<u>(27,530)</u>	<u>269,920</u>
Capital assets, being depreciated					
Buildings	3,844,415	-	244,866	-	4,089,281
Improvements	32,409	-	-	-	32,409
Vehicles and equipment	<u>5,482,160</u>	<u>-</u>	<u>60,222</u>	<u>-</u>	<u>5,542,382</u>
Total capital assets, being depreciated	<u>9,358,984</u>	<u>-</u>	<u>305,088</u>	<u>-</u>	<u>9,664,072</u>
Less accumulated depreciation					
Buildings and improvements	2,410,129	-	81,535	-	2,491,664
Equipment	4,897	-	2,160	-	7,057
Vehicles	<u>4,538,819</u>	<u>-</u>	<u>112,866</u>	<u>-</u>	<u>4,651,685</u>
Total accumulated depreciation	<u>6,953,845</u>	<u>-</u>	<u>196,561</u>	<u>-</u>	<u>7,150,406</u>
Total capital assets being depreciated, net	<u>2,405,139</u>	<u>-</u>	<u>108,527</u>	<u>-</u>	<u>2,513,666</u>
Governmental activities capital assets, net	<u>\$ 2,702,589</u>	<u>\$ -</u>	<u>\$ 108,527</u>	<u>\$ (27,530)</u>	<u>\$ 2,783,586</u>

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General government	\$ 65,181
Public safety	83,915
Public works	38,372
Parks and cemeteries	<u>9,093</u>
Total depreciation expense-governmental activities	<u>\$ 196,561</u>

Business-type capital asset activity for the year ended June 30, 2023, is summarized below:

Business-type activities:	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated					
Utility plant in operation	\$ 16,687,004	\$ -	\$ 246,798	\$ -	\$ 16,933,802
Total capital assets being depreciated	<u>16,687,004</u>	<u>-</u>	<u>246,798</u>	<u>-</u>	<u>16,933,802</u>
Less accumulated depreciation					
Utility plant in operation	6,917,113	-	336,896	-	7,254,009
Total accumulated depreciation	<u>6,917,113</u>	<u>-</u>	<u>336,896</u>	<u>-</u>	<u>7,254,009</u>
Total capital assets being depreciated, net	<u>9,769,891</u>	<u>-</u>	<u>583,694</u>	<u>-</u>	<u>9,679,793</u>
Business-type activities capital assets, net	<u>\$ 9,769,891</u>	<u>\$ -</u>	<u>\$ 583,694</u>	<u>\$ -</u>	<u>\$ 9,679,793</u>

Depreciation expense was charged to proprietary functions as follows:

Business-type Activities:	
Utility	\$ 336,896
Total depreciation expense-business-type activities	<u>\$ 336,896</u>

D. Long-Term Debt

The City issued Kentucky Rural Water Finance Corporation (KRWFC) Public Projects Refunding and Improvement Revenue Bonds, Series 2013C, as of March 27, 2013, for \$840,000. The refunding bonds have interest rates that vary from 2.3% to 4.8% and the maturity date is February 1, 2027. Monthly payments of principal and interest vary in accordance with the payment schedule included in the bond document. The balance outstanding at June 30, 2023, was \$280,000.

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, 2023, was \$5,331.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (Continued)

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 \$1,658. Semi-annual payments of principal and interest are due June 1 and December 1 each year. The amount outstanding as of June 30, 2023, was \$787,770. 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, 2023, was \$5,218,750 (government type of \$574,063 and Utility of \$4,644,687). The lease payments are being paid 88.99% from the Utility Fund and 11.01% from the General Fund.

The following is a summary of estimated future debt service requirements as of June 30, 2023:

Year Ending	Total Long-Term Debt					
	Governmental Activities		Business-Type Activities		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2024	21,980	15,889	302,015	147,630	323,995	163,519
2025	24,368	15,450	327,130	140,465	351,498	155,915
2026	26,845	14,949	352,991	132,901	379,836	147,850
2027	29,457	14,364	369,970	125,361	399,427	139,725
2028	32,475	13,668	325,296	116,885	357,771	130,553
2029-2033	212,507	52,667	2,046,628	448,568	2,259,135	501,235
2034-2037	226,431	15,602	1,988,427	131,925	2,214,858	147,527
Total	<u>\$ 574,063</u>	<u>\$ 142,589</u>	<u>\$ 5,712,457</u>	<u>\$ 1,243,734</u>	<u>\$ 6,286,520</u>	<u>\$ 1,386,323</u>

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CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Debt (Continued)

Changes in long-term liabilities for the year ended June 30, 2023, were as follows:

	Balance June 30, 2022	Adjustments	Borrowings	Retirements	Balance June 30, 2023	Due Within One Year
Governmental Activities						
KY Bond Corporation, 2016C series	\$ 594,230	\$ -	\$ -	\$ (20,167)	\$ 574,063	\$ 21,980
Bond discount, net of amortization	(1,530)	-	-	109	(1,421)	-
Compensated absences	60,604	-	107,439	(89,264)	78,779	-
Total for Governmental activities	\$ 653,304	\$ -	\$ 107,439	\$ (109,322)	\$ 651,421	\$ 21,980
Business-Type Activities						
KRWFC bonds, 2013B series	\$ 395,000	\$ (50,000)	\$ -	\$ (65,000)	\$ 280,000	\$ 65,000
Bond premium being amortized	26,656	-	-	(5,331)	21,325	-
KIA Infrastructure loan	843,017	-	-	(55,247)	787,770	55,662
KY Bond Corporation, 2016C series	4,807,854	-	-	(163,167)	4,644,687	181,353
Bond discount being amortized	(12,624)	-	901	-	(11,723)	-
Total for business-type activities	6,059,903	(50,000)	901	(288,745)	5,722,059	302,015
Total of all fund types	\$ 6,713,207	\$ (50,000)	\$ 108,340	\$ (398,067)	\$ 6,373,480	\$ 323,995

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

E. Interfund Receivables, Payables, and Transfers

The transfer of \$210,800 the Utility Fund to the General Fund is the annual in-lieu-of-tax payment.

F. Prior Period Adjustment

During the current year, it was determined that \$42,200 of CIP had not been capitalized in the prior year. A prior period adjustment was made to increase capital assets and increase beginning net position by this amount in governmental activities.

During the current year, it was determined that prior year expenses were understated in a prior period by \$22,190. A prior period adjustment was made to decrease general fund reserves and decrease beginning net position by this amount in governmental activities.

During the current year, it was determined that the KRWFC Bonds, 2013B series were overstated in a prior period by \$50,000. A prior period adjustment was made to the proprietary fund financial statements to reduce liabilities and increase 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.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – OTHER INFORMATION (CONTINUED)

A. Pensions (Continued)

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

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

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

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

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

Employer contribution rates for fiscal year 2023 were adopted by the Board of KRS based on actuarially recommended rates. For the year ended June 30, 2023, the City's covered payroll was \$1,284,897. 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, 2023, was 23.40%. The City's contributions to the Plan for the year ended June 30, 2023, were \$300,666.

Pension Liabilities. At June 30, 2023, the City reported a liability of \$3,420,769 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022. 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, 2022, the City's proportion was 0.047320 percent. At June 30, 2021, the City's proportion was 0.049673 percent.

Pension Expense. For the year ended June 30, 2023, the City recognized pension expense of \$264,848.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – OTHER INFORMATION (CONTINUED)

A. Pensions (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 87,696	\$ -
Differences between expected and actual experience	3,657	30,463
Changes in proportion and differences between City contributions and proportionate share of contributions	74,872	104,087
Contributions subsequent to the measurement date of June 30, 2022	300,666	<i>(Not applicable)</i>
Total	<u>\$ 466,891</u>	<u>\$ 134,550</u>

The deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement period ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense in the following measurement periods:

Year ended June 30:	
2024	\$ 7,530
2025	(44,286)
2026	(28,746)
2027	97,177
2028	-
Thereafter	-

Actuarial Methods and Assumptions. The total pension liability as of June 30, 2023, were based on an actuarial valuation date of June 30, 2022, was determined using the following actuarial assumptions:

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

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – OTHER INFORMATION (CONTINUED)

A. Pensions (Continued)

In the June 30, 2022, valuation, the mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2019. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	<u>60.00%</u>	
Public Entity	50.00%	4.45%
Private Entity	10.00%	10.15%
Liquidity	<u>20.00%</u>	
Core bonds	10.00%	0.28%
Specialty Credit/High Yield	10.00%	2.28%
Cash	0.00%	-0.91%
Diversifying Strategies	<u>20.00%</u>	
Real estate	7.00%	3.67%
Real return	13.00%	4.07%
Expected Real Return	100.00%	4.28%
Long Term Inflation Assumption		2.30%
Expected Nominal Return for Portfolio		6.58%

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.

CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – OTHER INFORMATION (CONTINUED)

A. Pensions (Continued)

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

<u>Net Pension Liability</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
As of June 30, 2023	\$ 4,275,537	\$ 3,420,769	\$ 2,713,805

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.

B. Other Postemployment Benefits

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

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

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

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CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefits (Continued)

Tier 1	Participation date	Before July 1, 2003
	Benefit eligibility	Recipient of a retirement allowance
	Benefit	Percentage of premium paid by KRS
		<u>Years of Service</u>
		Less than 4 years 0%
		4 – 9 years 25%
Tier 2		10 – 14 years 50%
		15 – 19 years 75%
		20 or more years 100%
	Participation date	After 7/1/2003 but before September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 120 months of service at retirement
	Benefit	Monthly contribution of \$10 for each year of earned service increased by 1.5% each July 1.
Tier 3	Participation date	After September 1, 2008
	Benefit eligibility	Recipient of a retirement allowance with at least 180 months of service at retirement
	Benefit	Monthly contribution of \$10 for each year of earned service increased by 1.5% each July 1.

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

Contributions. OPEB contributions are actuarially determined and set by the KRS Board. The City's actuarially determined contribution rate for the year ended June 30, 2023, was 3.39 percent of covered payroll and contributions paid were \$43,558. 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, 2023, KRS reported an implicit subsidy of \$30,202.

OPEB liability. At June 30, 2023, the City reported a liability of \$933,689 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, 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, 2022, using generally accepted actuarial principles. The City's proportion of the net OPEB liability was based on employers' actual contributions for fiscal year 2022. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2022, the City's proportion was 0.047311 percent. At June 30, 2021, the City's proportion was 0.049661 percent.

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CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefits (Continued)

Actuarial assumptions. The total pension liability as of June 30, 2023, was determined using the following actuarial assumptions:

Payroll Growth Rate	2.00 percent
Inflation	2.30 percent
Salary increases	3.30 percent to 10.30 percent, varies by service
Investment Rate of Return	6.25 percent
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Healthcare cost trend rates:	
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Discount Rate	5.70 percent

In the June 30, 2022, valuation, the mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 improvement scale using a base year of 2019. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disable Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2019.

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

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

The long-term expected rate of return on OPEB plan investments used to determine the discount rate is the same rate used by the Kentucky Retirement Systems (KRS) County Employees Retirement System (CERS) pension plan, which was 6.25% for 2022.

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CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefits (Continued)

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2023, was 5.70%. 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 (4.70 percent) or 1-percentage-point higher (6.70 percent) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$1,248,193	\$933,689	\$673,699

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:

	<u>1% Decrease</u>	<u>Healthcare Trend Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$694,177	\$933,689	\$1,221,298

OPEB expense and deferred outflows and inflows of resources related to OPEB. For the year ended June 30, 2023, the City recognized CERS OPEB expense of \$127,665.

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CITY OF FULTON, KENTUCKY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 – OTHER INFORMATION (CONTINUED)

B. Other Postemployment Benefits (Continued)

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to CERS OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ 37,896	\$ -
Changes in assumptions	147,669	121,679
Differences between expected and actual experience	93,984	214,117
Changes in proportion and differences between City contributions and proportionate share of contributions	30,874	67,838
Contributions subsequent to the measurement date of June 30, 2022 (includes implicit subsidy of \$33,663)	<u>77,221</u>	<u>-</u>
Total	<u>\$ 387,644</u>	<u>\$ 403,634</u>

The amount reported above as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2022. 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:	
2024	\$ (15,656)
2025	(15,115)
2026	(58,350)
2027	(4,090)
2028	-
Thereafter	-

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

C. Risk Management

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

NOTE 5 – SUBSEQUENT EVENTS

Subsequent events were evaluated through November 29, 2024, the date the financial statements were available to be issued. No subsequent events that required disclosure were noted as of the report date.

SCHEDULE OF THE CITY OF FULTON'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY COUNTY EMPLOYEES RETIREMENT SYSTEM OF KENTUCKY RETIREMENT SYSTEMS

Plan Years ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022
City of Fulton's proportion of the collective net pension liability	0.045510%	0.049792%	0.049242%	0.051082%	0.049861%	0.047370%	0.046746%	0.049673%	0.047320%
City of Fulton's proportionate share of the net pension liability	\$1,477,000	\$2,140,836	\$2,424,473	\$2,989,987	\$3,036,687	\$3,331,553	\$3,585,379	\$3,167,043	\$3,420,769
City of Fulton's covered payroll	\$1,043,418	\$1,162,279	\$1,177,546	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401	\$1,308,494	\$1,284,897
Proportionate share of the net pension liability as percentage of covered payroll	141.55%	184.19%	205.89%	240.40%	244.33%	279.75%	299.43%	242.04%	266.23%
Plan fiduciary net position as percentage of the total pension liability	66.80%	59.97%	55.50%	53.30%	53.54%	50.45%	47.81%	57.33%	52.42%

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

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

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

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

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

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

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

See Independent Auditors' Report.

SCHEDULE OF THE CITY OF FULTON'S CONTRIBUTIONS COUNTY EMPLOYEES RETIREMENT SYSTEM OF KENTUCKY RETIREMENT SYSTEMS

Fiscal Year ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily determined contributions	\$143,366	\$148,663	\$146,734	\$173,501	\$179,964	\$193,165	\$231,098	\$244,874	\$298,075	\$300,666
Contributions in relation to the Statutorially determined contribution	143,366	148,663	146,734	173,501	179,964	193,165	231,098	244,874	298,075	300,666
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$1,043,418	\$1,162,279	\$1,177,546	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401	\$1,268,775	\$1,308,494	\$1,284,897
Contributions as a percentage of covered payroll	13.74%	12.75%	12.42%	13.95%	14.48%	16.22%	19.30%	19.30%	22.78%	23.40%

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

Notes to Schedule:

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2022 actuarial valuation.
Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Asset valuation	20% of the difference between market value of assets and the expected actuarial value of assets recognized
Amortization method	Level percentage of pay
Remaining amortization period	30-year closed period at June 30, 2019
Payroll growth rate	Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Salary increases	2.00%
Investment Rate of Return	3.30 percent to 10.30 percent, varies by service
Mortality	6.25 percent
Healthcare trend rates (Pre-65)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
Healthcare trend rates (Post-65)	Initial trend starting at 6.40% at January 1, 2022, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. Initial trend starting at 6.40% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

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

	2017	2018	2019	2020	2021	2022
City of Fulton's proportion of the collective net OPEB liability	0.051082%	0.049859%	0.047403%	0.046733%	0.049661%	0.047311%
City of Fulton's proportionate share of the net OPEB liability	\$1,026,923	\$885,237	\$797,297	\$1,128,460	\$950,735	\$933,689
City of Fulton's covered payroll	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401	\$1,308,494	\$1,284,897
Proportionate share of the net OPEB liability as percentage of covered payroll	82.57%	71.23%	66.95%	94.24%	72.66%	72.67%
Plan fiduciary net position as percentage of the total OPEB liability	52.40%	57.62%	60.44%	51.67%	62.91%	60.95%

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.

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

	2017	2018	2019	2020	2021	2022	2023
Statutorily determined contributions	\$58,829	\$58,414	\$62,565	\$56,997	\$60,394	\$54,564	\$43,558
Contributions in relation to the Statutorially determined contribution	58,829	58,414	62,565	56,997	60,394	54,564	43,558
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$1,243,734	\$1,242,844	\$1,190,906	\$1,197,401	\$1,268,775	\$1,308,494	\$1,284,897
Contributions as a percentage of covered payroll	4.73%	4.70%	5.25%	4.76%	4.76%	4.17%	3.39%

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

Notes to Schedule:

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Remaining amortization period	30-year closed period at June 30, 2019
Asset valuation	<i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate	20% of the difference between market value of assets and the expected actuarial value of assets recognized
Inflation	2.00 percent
Salary increases	2.30 percent
Investment Rate of Return	3.30 percent to 10.30 percent, varies by service
Mortality	6.25 percent
Healthcare cost trend rates:	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2021 premiums were known at the time of the valuation and were incorporated into the liability measurement.

CITY OF FULTON, KENTUCKY
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2023

	Special Revenue Funds		
	Municipal Aid Fund	Cemetery Fund	Combined Total
ASSETS			
Cash	\$ 147,299	\$ 74,793	\$ 222,092
Due from other funds	-	1,300	1,300
Total Assets	\$ 147,299	\$ 76,093	\$ 223,392
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 4,324	\$ -	\$ 4,324
Due to other funds	40,574	-	40,574
Total liabilities	44,898	-	44,898
Fund Balance			
Restricted	102,401	76,093	178,494
Total fund balance	102,401	76,093	178,494
Total Liabilities and Fund Balance	\$ 147,299	\$ 76,093	\$ 223,392

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	Special Revenue Funds		
	Municipal Aid Fund	Cemetery Fund	Total
Revenues			
Intergovernmental revenue	\$ 46,470	\$ -	\$ 46,470
Interest income	5,081	2,727	7,808
Total revenues	<u>51,551</u>	<u>2,727</u>	<u>54,278</u>
Expenditures			
Sidewalk repair	<u>7,406</u>	-	<u>7,406</u>
Total expenditures	<u>7,406</u>	<u>-</u>	<u>7,406</u>
Revenues over (under) expenditures	<u>44,145</u>	<u>2,727</u>	<u>46,872</u>
Fund Balance - Beginning	<u>58,256</u>	<u>73,366</u>	<u>131,622</u>
Fund Balance - Ending	<u><u>\$ 102,401</u></u>	<u><u>\$ 76,093</u></u>	<u><u>\$ 178,494</u></u>

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - MUNICIPAL AID FUND
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>
Revenues				
State municipal aid	\$ 60,000	\$ 46,560	\$ 46,470	\$ (90)
Interest	1,100	1,100	5,081	3,981
Total revenues	<u>61,100</u>	<u>47,660</u>	<u>51,551</u>	<u>3,891</u>
Expenditures				
Sidewalk repair	58,000	1,500	7,406	5,906
Total expenditures	<u>58,000</u>	<u>1,500</u>	<u>7,406</u>	<u>5,906</u>
 Net Change in Fund Balance	 <u><u>\$ 3,100</u></u>	 <u><u>\$ 46,160</u></u>	 44,145	 <u><u>\$ (2,015)</u></u>
Fund Balance - Beginning			<u>58,256</u>	
Fund Balance - Ending			<u><u>\$ 102,401</u></u>	

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - CEMETERY FUND
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Variance</u>
Revenues				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,727</u>	<u>\$ 2,727</u>
Total revenues	<u>-</u>	<u>-</u>	<u>2,727</u>	<u>2,727</u>
 Revenues over (under) expenditures	 <u>-</u>	 <u>-</u>	 <u>2,727</u>	 <u>2,727</u>
 Net Change in Fund Balance	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u>2,727</u>	 <u><u>\$ 2,727</u></u>
 Fund Balance - Beginning			<u>73,366</u>	
Fund Balance - Ending			<u><u>\$ 76,093</u></u>	

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

Grant Description	Assistance Listing Number	Contract Number	Unearned (Accrued) 6/30/2022	Adjustments	Federal Receipts	Expenditures	Unearned (Accrued) 6/30/2023
<u>Federal Awards</u>							
US Department of the Treasury							
Passed through the Commonwealth of Kentucky							
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund (SLFRF)	21.027	Unknown	\$ 557,768	\$ -	\$ -	\$ 43,000	\$ 514,768
Total US Department of the Treasury			557,768	-	-	43,000	514,768
Total Federal Awards			557,768	-	-	43,000	514,768
<u>State Financial Assistance</u>							
Kentucky Agricultural Development							
Farmer's Market Grant	N/A	Unknown	-	(44,200)	88,150	43,950	-
Kentucky Department for Environmental Protection							
Litter Abatement Program	N/A	Unknown	-	-	1,405	1,405	-
Kentucky State Fire Commission							
Fire Rescue Training	N/A	Unknown	-	-	11,000	11,000	-
Total State Financial Assistance			-	(44,200)	100,555	56,355	-
Total Federal Awards and State Financial Assistance			\$ 557,768	\$ (44,200)	\$ 100,555	\$ 99,355	\$ 514,768

Memo: "Accrued" is due from grantor.

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Fulton under programs of the federal and state governments for the year ended June 30, 2023. The schedule is presented using the modified accrual basis of accounting.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditors' Report.

CITY OF FULTON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
BY INDIVIDUAL ISSUE - ALL FUNDS
For the Year Ended June 30, 2023

Due For Year Ending June 30	GOVERNMENTAL LONG-TERM DEBT				UTILITY FUND							
	Kentucky Bond Corporation Financing Program Revenue Bonds - Series 2016C		Total Debt Service		Kentucky Bond Corporation Financing Program Revenue Bonds - Series 2016C		Note Payable Kentucky Infrastructure Authority		Bonds Payable Kentucky Rural Water Finance Corporation		Total Debt Service	
	Principal	Interest			Principal	Interest	Principal	Interest	Principal	Interest		
\$ 2,024	\$ 21,980	\$ 15,889	\$ 37,869		\$ 181,353	\$ 131,098	\$ 55,662	\$ 5,804	\$ 65,000	\$ 10,728	\$ 449,645	
2025	24,368	15,450	39,818		201,049	127,471	56,081	5,386	70,000	7,608	467,595	
2026	26,845	14,949	41,794		221,489	123,339	56,502	4,964	75,000	4,598	485,892	
2027	29,457	14,364	43,821		243,043	118,511	56,927	4,540	70,000	2,310	495,331	
2028	32,475	13,668	46,143		267,942	112,773	57,354	4,112	-	-	442,181	
2029	35,403	12,821	48,224		292,097	105,782	57,785	3,681	-	-	459,345	
2030	38,646	11,809	50,455		318,854	97,429	58,220	3,247	-	-	477,750	
2031	42,114	10,649	52,763		347,469	87,863	58,657	2,810	-	-	496,799	
2032	46,123	9,386	55,509		380,544	77,439	59,098	2,369	-	-	519,450	
2033	50,221	8,002	58,223		414,362	66,023	59,542	1,925	-	-	541,852	
2034	54,455	6,495	60,950		449,295	53,592	59,989	1,477	-	-	564,353	
2035	59,320	4,862	64,182		489,430	40,113	60,440	1,027	-	-	591,010	
2036	63,959	3,082	67,041		527,707	25,430	60,894	572	-	-	614,603	
2037	48,697	1,163	49,860		310,053	9,599	30,619	115	-	-	350,386	
	\$ 574,063	\$ 142,589	\$ 716,652		\$ 4,644,687	\$ 1,176,462	\$ 787,770	\$ 42,029	\$ 280,000	\$ 25,243	\$ 6,956,191	

See Independent Auditors' Report.



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

Independent Auditor's Report

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 (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-002, 2023-004, 2023-006 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023-001, 2023-002, 2023-003, 2023-005, and 2023-006.

City of Fulton, Kentucky's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "CRS CPAs". The letters are stylized and cursive.

CRS CPAs, P.C.
Martin, Tennessee
November 29, 2024

CITY OF FULTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023

Current Year Findings

2023-001 – Budget (Noncompliance)

Condition: The City expended more than budgeted appropriations in the Municipal Road Aid Fund.

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

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

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

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

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

2023-002 – Failure to Record Bank Account Activity (Significant Deficiency under *Government Auditing Standards* and Noncompliance)

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

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

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

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

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

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

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CITY OF FULTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023

2023-003 – Timeliness of the Closing of the Official Accounting Records (Noncompliance)

Condition: The official accounting records were not closed timely.

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

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

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

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

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

2023-004 – Insufficient Cash Disbursement Support (Significant Deficiency under *Government Auditing Standards*)

Condition: During disbursement testing, we noted 6/103 cash disbursements that were not supported by an invoice, 98/103 where a purchase order was not appropriately issued, and 42/103 were not appropriately approved.

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

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

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

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

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

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CITY OF FULTON, KENTUCKY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023

2023-005 – Failure to Count Inventory (Noncompliance)

Condition: The City did not comply with GASB Statement No. 72, Fair Value Measurement and Application as of June 30, 2023

Cause: The City did not count their utility inventory at year end.

Criteria: GASB Statement No. 72, Fair Value Measurement and Application, establishes a framework for measuring and reporting the fair value of certain assets and liabilities of state and local governments. The statement requires governments to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available, and to disclose information about the methods and assumptions used to determine fair value.

Effect: The value of inventory could be misstated.

Recommendation: We recommend for the City to count their inventory at year end and determine the value of items at year end.

Response: We concur. In the future, the City will comply with GASB Statement No. 72.

2023-006 – Bank Accounts Not Reconciled (Significant Deficiency under *Government Auditing Standards* and Noncompliance)

Condition: Six bank accounts had not been reconciled at the time of the audit.

Cause: The City was not completing the bank reconciliations in a timely manner.

Criteria: GASB Statement No. 34, Basic Financial Statements for State and Local Governments, establishes new and additional financial reporting requirements for state and local governments to promote accurate and complete financial statements. The statement emphasizes the importance of internal controls, such as bank reconciliations, to ensure the accuracy and reliability of financial information.

Effect: The opportunity of errors or irregularities involving cash are increased when bank accounts are not reconciled in a timely manner and accounts are not posted to the City's books.

Recommendation: We recommend for the City to reconcile their bank accounts in a timely manner.

Response: We concur. In the future, the City will reconcile the bank accounts in a timely manner.

**CITY OF FULTON, KENTUCKY
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2023**

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2022-001	Budget	Repeated/2023-001
2022-002	Failure to Reconcile Accounts (renamed to "Failure to Record Activity" in 2023)	Repeated/2023-002
2022-003	Timeliness of the Closing of the Official Accounting Records	Repeated/2023-003
2022-004	Insufficient Cash Disbursement Support	Repeated/2023-004