

CITY OF FULTON, KENTUCKY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2014

CITY OF FULTON, KENTUCKY

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fulton, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fulton, Kentucky, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fulton's basic financial statements. The Combining and Individual Nonmajor Fund Statements and Schedules, the Schedule of Expenditures of Federal Awards, Schedule of State Assistance and Schedule of Debt Service Requirements to Maturity by Individual Issue are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining and Individual Nonmajor Fund Statements and Schedules, the Schedule of Expenditures of Federal Awards, Schedule of State Assistance and Schedule of Debt Service Requirements to Maturity by Individual Issue are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the 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 October 28, 2014, on our consideration of the City of Fulton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Fulton's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Martin, Tennessee
October 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Fulton, Kentucky, we offer readers of the City of Fulton's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of this year by \$10.48 million (*net position*). This represents an increase of \$576 thousand over the prior year. Of the total net position, \$2.74 million (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's general fund reported an ending fund balance of \$1.39 million, an increase of \$52 thousand in comparison with the prior year. Of the total fund balance, \$1.36 million is available for spending at the City's discretion (*unassigned fund balance*).
- The City's governmental activities had a net increase of \$212 thousand, while net income from business-type activities was \$364 thousand, for a total increase of \$576 thousand from operations of the current fiscal year.
- The City's capital assets increased by \$616 thousand, less depreciation of \$455 thousand, for a net increase of \$161 thousand.

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

- Continued to review, correct and update of all City ordinances
- Had a surplus of 19 properties and 6 vehicles (sold 9 properties and 4 vehicles)
- Implemented systems in order to maintain consistencies in day to day operations of the City
- Sold the current Public Works property to be used by the buyer to develop a hotel/motel, restaurant and shopping strip mall.
- Purchased property to relocate the current Public Works department during the 2014/15 year
- Demolished 13 blighted properties
- Two commercial structures were condemned and demolished by their owners.
- Implemented a plan to bring our Wastewater Treatment Plant up to EPA standards
- Welcomed Kayser Automotive Group to Fulton's Industrial Park as a new industry in September
- Applied for a TIGER Grant that would upgrade the local AMTRAK station in Fulton
- Collected over \$10,000 in delinquent taxes
- Placed liens on multiple properties in regards to absentee owners neglecting to maintain their properties or pay taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Fulton's basic financial statements. The City's basic financial statements are comprised of the following components:

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

Government-Wide Financial Statements

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

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

Both of the government-wide financial statements distinguish functions of the City of Fulton that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Most of the City's basic services are included in governmental activities, such as police, fire, public works, highways and streets, parks, cemeteries and general administration. Property taxes, payroll taxes, and state and federal grants finance most of these activities. The business-type activities are those for which the City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system and natural gas system are included here.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fulton, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of the City are categorized as either governmental funds, proprietary funds, or fiduciary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City of Fulton's near-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 11 to 20 of this report.

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

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

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21 to 23 of this report.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City of Fulton’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains two different types of fiduciary funds. The Cemetery Trust Fund is a private-purpose trust used to report resources held in trust for maintenance of the cemetery. The Agency funds report resources held by the City in a custodial capacity. The fiduciary fund financial statements can be found on pages 24 to 25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 34 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position – As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City of Fulton, assets exceeded liabilities and deferred inflows of resources by \$10.48 million at the close of the most recent fiscal year. The largest portion of the City’s net position (70%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Fulton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fulton’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Fulton’s net position (4%) represents resources that are subject to external restriction on how they may be used. The remaining balance of net position representing unrestricted net position (\$2.7 million) may be used to meet the City’s ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Fulton is able to report positive balances in all three categories on net position, both for the City of Fulton as a whole, as well as for its total governmental and total business-type activities.

CONDENSED STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,078,579	\$ 1,944,862	\$ 1,910,371	\$ 1,373,275	\$ 3,988,950	\$ 3,318,137
Capital assets	3,482,673	3,125,875	4,705,711	4,901,830	8,188,384	8,027,705
Total assets	<u>5,561,252</u>	<u>5,070,737</u>	<u>6,616,082</u>	<u>6,275,105</u>	<u>12,177,334</u>	<u>11,345,842</u>
Long-term liabilities	258,183	35,802	820,769	931,100	1,078,952	966,902
Other liabilities	94,508	35,172	251,139	164,282	345,647	199,454
Total liabilities	<u>352,691</u>	<u>70,974</u>	<u>1,071,908</u>	<u>1,095,382</u>	<u>1,424,599</u>	<u>1,166,356</u>
Deferred inflows of resources	<u>267,902</u>	<u>270,333</u>	-	-	<u>267,902</u>	<u>270,333</u>
Net investment in capital assets	3,482,673	3,125,875	3,851,407	4,061,830	7,334,080	7,187,705
Restricted net position	408,981	326,145	-	-	408,981	326,145
Unrestricted net position	1,049,005	1,277,410	1,692,767	1,117,893	2,741,772	2,395,303
Total net position	<u>\$ 4,940,659</u>	<u>\$ 4,729,430</u>	<u>\$ 5,544,174</u>	<u>\$ 5,179,723</u>	<u>\$ 10,484,833</u>	<u>\$ 9,909,153</u>

Statement of Activities – Revenues from governmental activities exceeded expenditures by \$213 thousand during the current year. The main difference in revenue from the prior year was a \$1.2 million decrease in capital grants and contributions. Expenditures reflected this same variance, with non-departmental expenditures decreasing by \$1.2 million attributable to the CDBG grant expenditures reflected in the prior year.

In the business-type activities, revenues exceeded expenses by \$364 thousand. Service revenues remained steady, while expenditures increased by 9% from the prior year, mainly attributable to an increase in the cost of gas purchases. Other revenue increased by \$253 thousand attributable to the gain on sale of property during the current year. A condensed statement of activities for the years ended June 30, 2014 and 2013, is presented on the next page.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As of June 30, 2014, the City had invested approximately \$8.19 million, net of accumulated depreciation, in a variety of capital assets. Additional information on the City's capital assets can be found in Note 4D beginning on page 31 of this report.

Long-term debt – At the end of the current fiscal year, the City of Fulton had bonds payable of \$785 thousand and a note payable for a new fire truck with an outstanding balance of \$280 thousand. Additional information on the City's long-term debt can be found in Note 4E beginning on page 33 of this report.

CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues						
Charges for services	\$ 58,720	\$ 63,694	\$ 2,436,044	\$ 2,437,388	\$ 2,494,764	\$ 2,501,082
Operating grants/contributions	472,536	277,098	28,080	-	500,616	277,098
Capital grants/contributions	27,712	1,219,794	-	-	27,712	1,219,794
	<u>558,968</u>	<u>1,560,586</u>	<u>2,464,124</u>	<u>2,437,388</u>	<u>3,023,092</u>	<u>3,997,974</u>
Expenses						
General government	252,387	118,959	-	-	252,387	118,959
Public safety	1,171,359	1,101,357	-	-	1,171,359	1,101,357
Public works - general	27,273	24,303	-	-	27,273	24,303
Highways and streets	127,837	137,269	-	-	127,837	137,269
Parks and cemeteries	50,989	75,329	-	-	50,989	75,329
Utilities	-	-	2,191,018	2,002,310	2,191,018	2,002,310
Non-departmental	158,805	1,380,931	-	-	158,805	1,380,931
Total expenses	<u>1,788,650</u>	<u>2,838,148</u>	<u>2,191,018</u>	<u>2,002,310</u>	<u>3,979,668</u>	<u>4,840,458</u>
Net program revenue (expense)	(1,229,682)	(1,277,562)	273,106	435,078	(956,576)	(842,484)
General revenues						
Taxes	1,177,138	1,151,639	-	-	1,177,138	1,151,639
Other	92,778	165,301	264,332	10,159	357,110	175,460
Transfers	172,987	224,641	(172,987)	(224,641)	-	-
Change in net assets	<u>213,221</u>	<u>264,019</u>	<u>364,451</u>	<u>220,596</u>	<u>577,672</u>	<u>484,615</u>
Beginning net assets	4,729,430	4,462,429	5,179,723	4,959,127	9,909,153	9,421,556
Prior period adjustment	(1,992)	2,982	-	-	(1,992)	2,982
Beginning net assets as restated	<u>4,727,438</u>	<u>4,465,411</u>	<u>5,179,723</u>	<u>4,959,127</u>	<u>9,907,161</u>	<u>9,424,538</u>
Ending net assets	<u>\$ 4,940,659</u>	<u>\$ 4,729,430</u>	<u>\$ 5,544,174</u>	<u>\$ 5,179,723</u>	<u>\$ 10,484,833</u>	<u>\$ 9,909,153</u>

COMMENTS ON FUND FINANCIAL STATEMENTS

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

The General Fund accounts for 95% of governmental fund revenues. Accordingly, this discussion will focus on the General Fund. General fund balance was \$1.39 million at the end of the current fiscal year. Of that balance, \$1.36 million is available to meet the day-to-day needs of the City.

Revenues in the General Fund were approximately \$1.2 million less than last year due to the grant revenue received in the prior year, with a corresponding decrease in general fund expenditures. The other significant changes in expenditures were an increase in code enforcement expenditures from \$5 thousand to \$26 thousand and increased capital outlay expenditures from \$286 thousand to \$670 thousand.

A budget comparison statement has been provided to demonstrate compliance with the budget.

Proprietary funds – Unrestricted net position in the proprietary fund at the end of the year was \$1.69 million. The City's utility department operated at a profit of approximately \$273 thousand before the in-lieu-of-tax transfer to the General Fund, which decreased by \$52 thousand, and excluding the \$264 thousand gain on the sale of property recognized in the current year. This was a decrease of \$162 thousand from the prior year, mainly attributable to increased expenses. The main increase in utility expenses from the prior year was in natural gas purchases, due to the use of reserves in the prior year that were depleted.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues exceeded budgeted amounts by \$66 thousand. This was mainly attributable to more grant proceeds received than budgeted and more property taxes collected. Total expenditures were \$42 thousand in excess of budgeted amounts, with the majority in fire truck payments and police salaries. Significant variances were as follows:

- Police department salaries and related expenditures were \$18 thousand more than budgeted.
- Fire department expenditures were \$21 thousand more than budgeted amounts.
- Public works salaries were \$16 thousand more than budgeted; however, duplicate charges offset this overage and left the public works department expenditures slightly under budget in total.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to have a low debt burden and is financially sound. Our local economy continues to be challenging, but with the announcement of our newest industry Kayser and MVP in 2013, hopefully we can create a new momentum and help turn our economy around. Success breeds success and new industry brings more new industry! Our reserve funds remain sound.

The 2014-15 Adopted Budget addresses Department Heads and Commission goals and priorities. The budget also contains cost savings measures designed to keep the City whole during this period of economic recovery. However, it does not include any expenditures for capital improvements.

Some of the 2014/15 goals and priorities include in no particular order:

1. Finalize a strategic planning effort with an eye towards developing a long-range plan
2. Continue to beautify and enhance our entryways to the City
3. Concentrated effort to eliminate blighted and abandoned properties
4. Expand code enforcement efforts
5. Continue to boost employee morale in all departments of the City
6. Continue weekly meeting with department heads and City attorney
7. Analyze budget monthly
8. Eliminate mowing of vacant properties that are not owned by the City and hold the owners accountable to the Property Code
9. Redefine the City boundaries and zoning areas

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 1,567,284	\$ 1,534,229	\$ 3,101,513
Taxes receivable, net of allowance	267,902	-	267,902
Grants receivable	24,134	28,080	52,214
Accounts receivable, net of allowance	-	321,810	321,810
Other taxes receivable	191,881	-	191,881
Due from fiduciary funds	631	-	631
Inventory	-	26,252	26,252
Restricted assets:			
Cash and cash equivalents	26,747	-	26,747
Capital assets not being depreciated			
Land and improvements	269,920	-	269,920
Capital assets, net of accumulated depreciation			
Buildings	1,961,677	-	1,961,677
Vehicles and equipment	1,251,076	-	1,251,076
Utility plant in service	-	4,705,711	4,705,711
Total assets	<u>5,561,252</u>	<u>6,616,082</u>	<u>12,177,334</u>
Liabilities			
Accounts payable	5,797	65,876	71,673
Payroll-related liabilities	1,337	-	1,337
Other accrued liabilities	-	1,451	1,451
Due to fiduciary funds	11,511	2,511	14,022
Customer deposits	9,125	131,301	140,426
Unearned revenue - grants	9,414	-	9,414
Noncurrent liabilities:			
Due within one year	57,324	50,000	107,324
Due in more than one year	258,183	820,769	1,078,952
Total liabilities	<u>352,691</u>	<u>1,071,908</u>	<u>1,424,599</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	267,902	-	267,902
Net Position			
Net investment in capital assets	3,482,673	3,851,407	7,334,080
Restricted for:			
Drug and Police Evidence Funds	26,747	-	26,747
Ambulance Fund	109,614	-	109,614
Municipal Aid	272,620	-	272,620
Unrestricted	1,049,005	1,692,767	2,741,772
Total net position	<u>\$ 4,940,659</u>	<u>\$ 5,544,174</u>	<u>\$ 10,484,833</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, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)/Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 252,387	\$ -	\$ -	\$ -	\$ (252,387)	\$ -	\$ (252,387)
Public safety	1,171,359	40,092	419,263	-	(712,004)	-	(712,004)
Public works - general	27,273	425	-	-	(26,848)	-	(26,848)
Highways and streets	127,837	-	53,273	-	(74,564)	-	(74,564)
Parks and cemeteries	50,989	18,203	-	-	(32,786)	-	(32,786)
Non-departmental	158,805	-	-	27,712	(131,093)	-	(131,093)
Total governmental activities	1,788,650	58,720	472,536	27,712	(1,229,682)	-	(1,229,682)
Business-type activities:							
Public utilities	2,191,018	2,436,044	28,080	-	-	273,106	273,106
Total	\$ 3,979,668	\$ 2,494,764	\$ 500,616	\$ 27,712	(1,229,682)	273,106	(956,576)
General revenues:							
Property taxes					342,656	-	342,656
Franchise taxes					16,521	-	16,521
Payroll taxes					817,961	-	817,961
Business and occupational licenses					22,895	-	22,895
Court fees					3,158	-	3,158
Interest					16,293	11,176	27,469
Rental income					10,160	-	10,160
Sale of property					18,068	-	18,068
Gain on disposition of assets					-	253,156	253,156
Miscellaneous					22,204	-	22,204
Transfers					172,987	(172,987)	-
Total general revenues and transfers					1,442,903	91,345	1,534,248
Change in net position					213,221	364,451	577,672
Net position - beginning					4,729,430	5,179,723	9,909,153
Prior period adjustment					(1,992)	-	(1,992)
Net position - beginning, as restated					4,727,438	5,179,723	9,907,161
Net position - ending					\$ 4,940,659	\$ 5,544,174	\$ 10,484,833

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

CITY OF FULTON, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 1,199,770	\$ 367,514	\$ 1,567,284
Property taxes receivable, net	267,902	-	267,902
Grants receivable	-	24,134	24,134
Other taxes receivable	191,881	-	191,881
Due from fiduciary funds	631	-	631
Restricted cash	26,747	-	26,747
Total assets	\$1,686,931	\$ 391,648	\$ 2,078,579
Liabilities			
Accounts payable	\$ 5,797	\$ -	\$ 5,797
Payroll-related liabilities	1,337	-	1,337
Due to fiduciary funds	11,511	-	11,511
Unearned revenue	-	9,414	9,414
Customer deposits	9,125	-	9,125
Total liabilities	27,770	9,414	37,184
Deferred Inflows of Resources			
Unavailable revenue - property taxes	267,902	-	267,902
Fund Balances			
Restricted	26,747	382,234	408,981
Unassigned	1,364,512	-	1,364,512
Total fund balances	1,391,259	382,234	1,773,493
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,686,931	\$ 391,648	\$ 2,078,579

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, 2014

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

Total fund balances of governmental funds	\$ 1,773,493
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,482,673
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(315,507)</u>
Net position of governmental activities	<u><u>\$ 4,940,659</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 BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local taxes	\$ 1,179,250	\$ -	\$ 1,179,250
Intergovernmental revenue	70,512	93,365	163,877
Charges for services	28,788	-	28,788
Grant revenue	407,494	-	407,494
Interest	13,591	2,702	16,293
Other revenues	33,182	-	33,182
Total revenues	<u>1,732,817</u>	<u>96,067</u>	<u>1,828,884</u>
Expenditures			
Current:			
General government	130,056	-	130,056
Public safety	995,022	-	995,022
Public works - general	27,273	-	27,273
Highways and streets	97,265	14,339	111,604
Parks and cemeteries	50,989	-	50,989
Non-departmental	158,805	-	158,805
Debt service:			
Principal	19,292	-	19,292
Interest	1,963	-	1,963
Capital outlay:			
Public safety	343,038	-	343,038
Non-departmental	326,698	-	326,698
Total expenditures	<u>2,150,401</u>	<u>14,339</u>	<u>2,164,740</u>
Revenues over (under) expenditures	(417,584)	81,728	(335,856)
Other financing sources (uses)			
Loan proceeds	298,997	-	298,997
Transfers in	172,987	-	172,987
Total other financing sources (uses)	<u>471,984</u>	<u>-</u>	<u>471,984</u>
Net change in fund balances	54,400	81,728	136,128
Fund balances - July 1, 2013	1,338,851	300,506	1,639,357
Prior period adjustment	(1,992)	-	(1,992)
Fund balances - July 1, 2013, as restated	<u>1,336,859</u>	<u>300,506</u>	<u>1,637,365</u>
Fund balances - June 30, 2014	<u>\$ 1,391,259</u>	<u>\$ 382,234</u>	<u>\$ 1,773,493</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, 2014

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

Net change in fund balances of governmental funds	\$ 136,128
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	669,736
Depreciation	(312,938)
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.	
	<u>(279,705)</u>
Change in net position of governmental activities	<u>\$ 213,221</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Local taxes				
Property taxes	\$ 278,000	\$ 298,000	\$ 322,169	\$ 24,169
Interest and penalties	3,700	4,180	4,633	453
Payments in lieu of tax	16,000	16,000	15,854	(146)
Delinquent tax lawsuit fees	-	2,112	2,112	-
Franchise taxes	18,000	16,000	16,521	521
Payroll taxes	834,000	820,000	817,961	(2,039)
Total local taxes	<u>1,149,700</u>	<u>1,156,292</u>	<u>1,179,250</u>	<u>22,958</u>
Intergovernmental revenues				
Business licenses	30,000	22,500	22,895	395
County court fees	2,800	2,978	3,158	180
Fire department revenue	500	450	400	(50)
Federal grant funds	1,000,000	364,873	27,712	(337,161)
State grant funds	8,250	14,909	379,782	364,873
State incentive revenue	31,000	29,000	29,488	488
Law enforcement fees	15,000	9,185	9,593	408
Code enforcement revenue	2,500	5,000	4,978	(22)
Total intergovernmental revenues	<u>1,090,050</u>	<u>448,895</u>	<u>478,006</u>	<u>29,111</u>
Charges for services				
Rent	14,000	10,100	10,160	60
Building permits	500	850	425	(425)
Cemetery lots	14,000	15,213	18,203	2,990
Total charges for services	<u>28,500</u>	<u>26,163</u>	<u>28,788</u>	<u>2,625</u>
Fines, forfeitures and penalties				
Parking violations	100	-	-	-
Other revenues				
Sale of property	25,000	14,168	18,068	3,900
Interest income	10,700	12,000	13,591	1,591
Miscellaneous income	12,000	9,503	15,114	5,611
Total other revenues	<u>47,700</u>	<u>35,671</u>	<u>46,773</u>	<u>11,102</u>
Total revenues	<u>2,316,050</u>	<u>1,667,021</u>	<u>1,732,817</u>	<u>65,796</u>

(continued)

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Expenditures				
Administrative				
Salaries	102,800	101,134	108,086	6,952
Retirement/pension	14,205	13,708	14,548	840
Hospitalization	-	-	-	-
Life/dental	150	157	144	(13)
Social security	6,763	6,136	6,548	412
Other benefits	95	3	3	-
Maintenance - vehicles/equipment	500	-	-	-
Office supplies	1,000	649	595	(54)
Technical supplies	700	490	449	(41)
Dues and subscriptions	500	493	653	160
Motor fuel/oil	-	83	76	(7)
Telephone	1,200	819	916	97
Advertising/printing	2,000	1,823	2,018	195
Travel	3,500	1,446	1,446	-
Professional/technical services	1,500	333	305	(28)
Training	2,000	917	1,276	359
Miscellaneous	750	-	-	-
Duplicate charges	(62,007)	(60,569)	(64,666)	(4,097)
Total administrative	<u>75,656</u>	<u>67,622</u>	<u>72,397</u>	<u>4,775</u>
Finance Department				
Salaries	150,730	147,407	152,256	4,849
Overtime/help	1,800	972	958	(14)
Retirement/pension	28,813	28,029	28,942	913
Hospitalization	20,405	22,050	20,998	(1,052)
Life/dental insurance	600	596	546	(50)
Social security	11,669	10,012	10,320	308
Other benefits	1,325	742	757	15
Maintenance - fixtures	1,200	1,022	937	(85)
Utilities	9,000	7,996	7,752	(244)
Technical supplies	1,000	441	404	(37)
Office supplies	1,000	864	792	(72)
Cleaning supplies	500	923	898	(25)
Dues/subscriptions	150	-	-	-
Postage	2,000	1,313	1,504	191
Telephone	600	1,109	1,181	72
Travel	1,000	575	575	-
Professional/technical services	800	450	369	(81)
Training/registration	1,000	412	412	-
Miscellaneous	-	200	200	-
Duplicate charges	(172,274)	(167,846)	(172,142)	(4,296)
Total finance department	<u>61,318</u>	<u>57,267</u>	<u>57,659</u>	<u>392</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Code Compliance				
Salaries	12,000	9,477	9,606	129
Social security	918	725	735	10
Other benefits	45	-	-	-
Clothing	360	79	72	(7)
Maintenance - vehicles/equipment	750	200	133	(67)
Office supplies	600	669	704	35
Technical supplies	1,000	3,000	2,861	(139)
Dues and subscriptions	5,100	1,373	1,419	46
Motor fuel/oil	1,500	382	390	8
Postage	1,000	1,330	1,219	(111)
Advertising/printing	1,000	181	166	(15)
Travel	1,590	-	-	-
Professional/technical services	1,000	10,000	9,425	(575)
Training	1,500	60	60	-
Code enforcement	<u>31,000</u>	<u>31,000</u>	<u>25,900</u>	<u>(5,100)</u>
Total code compliance	<u>59,363</u>	<u>58,476</u>	<u>52,690</u>	<u>(5,786)</u>
Police Department				
Salaries	287,396	280,521	291,225	10,704
Overtime/help	40,000	38,515	41,271	2,756
Retirement/pension	61,335	55,740	58,946	3,206
Hospitalization	51,745	46,500	42,494	(4,006)
Life/dental insurance	1,212	1,180	1,082	(98)
Social security	26,943	23,533	24,470	937
Workers' compensation	17,000	13,966	13,966	-
Clothing	3,500	3,000	3,478	478
Incentive	24,800	20,537	20,813	276
Other benefits	650	59	54	(5)
Maintenance - fixtures	5,000	6,000	6,372	372
Maintenance - vehicles/equipment	9,000	8,719	8,529	(190)
Utilities	10,000	8,324	8,062	(262)
Technical supplies	4,000	10,000	9,393	(607)
Office supplies	5,000	2,300	2,180	(120)
Cleaning supplies	1,400	450	378	(72)
Dues and subscriptions	600	403	369	(34)
Motor fuel/oil	25,000	24,249	24,328	79
Postage	500	655	619	(36)
Telephone	6,000	4,947	5,521	574
Advertising/printing	500	40	64	24
Travel	5,000	4,199	4,327	128
Insurance	28,226	28,959	28,959	-
Professional/technical services	400	300	207	(93)
Training	500	395	673	278

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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Program implements	600	11	40	29
Animal control	7,000	3,200	658	(2,542)
Dispatch expense	20,400	20,000	20,000	-
Drug fund expenditures	6,000	4,064	4,606	542
Miscellaneous	400	300	1,561	1,261
Total Police Department	<u>650,107</u>	<u>611,066</u>	<u>624,645</u>	<u>13,579</u>
Fire Department				
Salaries	102,160	97,202	101,036	3,834
Retirement/pension	19,808	18,901	19,589	688
Hospitalization	20,000	16,850	13,910	(2,940)
Life/dental insurance	300	314	288	(26)
Social security	8,290	6,937	7,218	281
Workers' compensation	7,000	6,700	6,700	-
Clothing	2,000	1,417	1,535	118
Incentive	6,200	6,200	6,200	-
Other benefits	3,850	921	1,089	168
Maintenance - fixtures	2,500	2,511	2,063	(448)
Maintenance - vehicles/equipment	15,000	15,000	13,115	(1,885)
Utilities	9,000	8,261	8,005	(256)
State Aid expense	8,250	8,250	8,250	-
Volunteer fire expenditures	50,000	50,000	50,000	-
Technical supplies	12,000	20,000	19,327	(673)
Office supplies	1,500	847	1,116	269
Cleaning supplies	500	859	983	124
Dues and subscriptions	1,400	312	287	(25)
Motor fuel/oil	5,500	5,041	5,049	8
Postage	400	385	353	(32)
Telephone	2,600	2,765	3,067	302
Advertising/printing	400	695	637	(58)
Travel	2,200	2,962	2,761	(201)
Insurance	15,542	16,855	16,855	-
Professional/technical services	7,900	6,095	5,787	(308)
Training	6,750	1,200	2,120	920
Dispatch expense	20,400	20,000	20,000	-
Fire truck loan payments	-	1,965	21,255	19,290
Miscellaneous	200	400	347	(53)
Capital expenditures	2,500	341,388	343,038	1,650
Total Fire Department	<u>334,150</u>	<u>661,233</u>	<u>681,980</u>	<u>20,747</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Public Works Department				
Salaries	373,012	354,154	369,844	15,690
Overtime/help	25,000	23,362	25,452	2,090
Retirement/pension	75,184	71,171	74,542	3,371
Hospitalization	87,615	75,000	74,818	(182)
Life/dental insurance	1,950	1,788	1,639	(149)
Social security	30,448	26,056	27,261	1,205
Workers' compensation	17,000	12,720	12,720	-
Clothing	6,500	6,699	6,232	(467)
Other benefits	950	220	202	(18)
Duplicate charges	(586,776)	(542,612)	(565,437)	(22,825)
Total Public Works	<u>30,883</u>	<u>28,558</u>	<u>27,273</u>	<u>(1,285)</u>
Street Department				
Maintenance - buildings/grounds	1,000	200	1,241	1,041
Maintenance - fixtures	1,500	1,000	1,263	263
Maintenance - vehicles/equipment	9,000	5,896	7,049	1,153
Utilities	62,000	61,394	61,044	(350)
Technical supplies	3,000	5,619	5,222	(397)
Office supplies	250	920	843	(77)
Motor fuel/oil	12,500	12,602	13,372	770
Insurance	2,675	2,675	2,675	-
Professional/technical services	1,400	1,212	1,111	(101)
Street markers	4,000	3,053	3,181	128
Miscellaneous	500	164	264	100
Total Street Department	<u>97,825</u>	<u>94,735</u>	<u>97,265</u>	<u>2,530</u>
Parks and Cemeteries Department				
Maintenance - Buildings/Grounds	3,000	3,531	3,892	361
Maintenance - Fixtures	2,500	1,300	4,037	2,737
Maintenance - Vehicles/Equipment	4,500	4,925	4,685	(240)
Utilities	11,500	11,194	11,175	(19)
Technical supplies	2,000	2,337	2,928	591
Office supplies	500	708	649	(59)
Women's club expenditures	5,000	4,271	4,002	(269)
Community center expenditures	15,000	8,733	8,769	36
Motor fuel/oil	4,000	3,877	4,527	650
Insurance	4,302	4,302	4,302	-
Professional/technical services	4,500	1,297	1,717	420
Miscellaneous	300	300	306	6
Total Parks and Cemeteries	<u>57,102</u>	<u>46,775</u>	<u>50,989</u>	<u>4,214</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Non-Departmental				
Maintenance - buildings/grounds	5,000	3,177	3,172	(5)
Shop expense	14,000	11,357	11,217	(140)
Postage	500	207	190	(17)
PVA - tax roll	5,200	5,256	5,256	-
Service contracts	7,500	20,000	17,057	(2,943)
Audit	7,000	6,350	6,350	-
General liability insurance	46,000	48,520	48,519	(1)
Chamber of Commerce	1,200	1,200	1,200	-
Airport	1,500	1,500	1,500	-
Library	5,000	5,000	5,000	-
Detention Center meals	15,000	15,000	16,297	1,297
Kentucky Municipal League	710	708	708	-
Purchase area development	500	500	500	-
CDBG - housing revitalization program	-	-	28,520	28,520
Contingency	2,500	6,300	5,819	(481)
Economic development	7,500	7,500	7,500	-
Grant expenditures	<u>1,000,000</u>	<u>350,000</u>	<u>326,698</u>	<u>(23,302)</u>
Total Non-Departmental	<u>1,119,110</u>	<u>482,575</u>	<u>485,503</u>	<u>2,928</u>
Total expenditures	<u>2,485,514</u>	<u>2,108,307</u>	<u>2,150,401</u>	<u>42,094</u>
Revenues over (under) expenditures	<u>(169,464)</u>	<u>(441,286)</u>	<u>(417,584)</u>	<u>23,702</u>
Other financing sources (uses)				
Loan proceeds	-	298,997	298,997	-
Transfers in - payments in lieu of tax	<u>172,987</u>	<u>172,987</u>	<u>172,987</u>	-
Total other financing sources (uses)	<u>172,987</u>	<u>471,984</u>	<u>471,984</u>	<u>-</u>
Net change in fund balance	<u>\$ 3,523</u>	<u>\$ 30,698</u>	<u>54,400</u>	<u>\$ 23,702</u>
Fund balance - July 1, 2013			1,338,851	
Prior period adjustment			<u>(1,992)</u>	
Fund balance - July 1, 2013, as restated			<u>1,336,859</u>	
Fund balance - June 30, 2014			<u>\$ 1,391,259</u>	

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

CITY OF FULTON, KENTUCKY
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2014

ASSETS

Current assets	
Cash	\$ 1,534,229
Accounts receivable (net)	321,810
Grant receivable	28,080
Inventory	<u>26,252</u>
Total current assets	1,910,371
Noncurrent assets:	
Capital assets, net of accumulated depreciation:	
Utility plant in service	<u>4,705,711</u>
Total assets	<u>6,616,082</u>

LIABILITIES

Current liabilities	
Accounts payable	65,876
Accrued expenses	1,451
Due to fiduciary funds	2,511
Customer deposits	131,301
Noncurrent liabilities due within one year	<u>50,000</u>
Total current liabilities	<u>251,139</u>
Noncurrent liabilities	
Accrued vacation and sick leave	16,465
Bonds payable, net of current portion	<u>804,304</u>
Total noncurrent liabilities	<u>820,769</u>
Total liabilities	<u>1,071,908</u>

NET POSITION

Net investment in capital assets	3,851,407
Unrestricted	<u>1,692,767</u>
Total net position	<u>\$ 5,544,174</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, 2014

Operating revenues	
Utility sales	\$ 2,379,150
Miscellaneous	<u>56,894</u>
Total operating revenues	<u>2,436,044</u>
Operating expenses	
Personnel/administrative costs	802,245
Maintenance	41,114
Utilities	170,140
Maintenance to system	69,596
Technical supplies	27,994
Office and cleaning supplies	8,224
Dues and subscriptions	852
Motor fuel and oil	32,934
Postage	8,418
Gas purchases	606,531
Rent	532
Telephone	47,893
Advertising and printing	1,399
Travel and registrations	329
Insurance	32,033
Professional services	134,758
Training	1,463
Audit expense	6,000
Depreciation	142,154
Dispatch expense	20,000
Miscellaneous	<u>2,323</u>
Total operating expenses	<u>2,156,932</u>
Operating income	<u>279,112</u>
Non-operating revenue (expense)	
Grant revenue	28,080
Gain on sale of property	253,156
Interest earnings	11,176
Interest expense	<u>(34,086)</u>
Total non-operating revenue (expense)	<u>258,326</u>
Change in net position before transfers	537,438
Transfers	
Transfer out - payment in lieu of taxes	<u>(172,987)</u>
Change in net position	364,451
Net position - July 1, 2013	<u>5,179,723</u>
Net position - June 30, 2014	<u>\$ 5,544,174</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, 2014

Cash Flows from Operating Activities

Cash received from customers		\$ 2,442,339
Cash payments to employees for services		(802,245)
Cash payments to suppliers		<u>(1,179,694)</u>
Net cash provided by operating activities		460,400

Cash Flows from Non-Capital Financing Activities

Interfund transfers		(172,987)
Increase in due to other funds		<u>274</u>
Net cash used by non-capital financing activities		(172,713)

Cash Flows from Capital and Related Financing Activities

Additions to plant utility		(17,879)
Proceeds from sale of property		325,000
Payments on principal of long-term debt		(55,000)
Interest payments on long-term debt		<u>(39,417)</u>
Net cash provided by capital and related financing activities		212,704

Cash Flows from Investing Activities

Interest received		<u>11,176</u>
-------------------	--	---------------

Net increase in cash **511,567**

Cash - July 1, 2013 1,022,662

Cash - June 30, 2014 \$ 1,534,229

Reconciliation of Cash Flows from Operating Activities

Operating income		\$ 279,112
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	142,154	
Decrease in accounts receivable	2,551	
Increase in accounts payable	32,839	
Increase in accrued expenses	553	
Increase in customer deposits	<u>3,191</u>	
Total adjustments		<u>181,288</u>
Net cash provided by operating activities		<u>\$ 460,400</u>

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

CITY OF FULTON, KENTUCKY
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2014

	<u>Agency</u>			<u>Private Purpose Trust</u>
	<u>Tourism Fund</u>	<u>Expenditure Revolving Fund</u>	<u>Payroll Fund</u>	<u>Cemetery Trust Fund</u>
Assets				
Cash	\$ 146,999	\$ 1,356	\$ 110	\$ 37,301
Due from general fund	-	-	11,511	-
Due from utility fund	-	2,511	-	-
Due from payroll fund	-	1,636	-	-
Total assets	<u>146,999</u>	<u>5,503</u>	<u>11,621</u>	<u>37,301</u>
Liabilities				
Due to general fund	-	631	-	-
Due to expenditure revolving fund	-	-	1,636	-
Perpetual care contributions	-	-	-	650
Accounts payable	-	18	9,417	-
Total liabilities	<u>-</u>	<u>649</u>	<u>11,053</u>	<u>650</u>
Net position				
Held in trust for tourism and other purposes	<u>\$ 146,999</u>	<u>\$ 4,854</u>	<u>\$ 568</u>	<u>\$ 36,651</u>

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

CITY OF FULTON, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2014

	<u>Private Purpose Trust Cemetery Trust Fund</u>
Additions	
Interest	\$ 111
Miscellaneous	<u>1,100</u>
Total additions	1,211
Deductions	<u>-</u>
Change in net position	1,211
Net position - July 1, 2013	<u>35,440</u>
Net position - June 30, 2014	<u><u>\$ 36,651</u></u>

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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

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

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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

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

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

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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. Impact of recently issued accounting pronouncements

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which are distinct from assets and liabilities, and also renames as net position, rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement were effective for financial statements for periods beginning after December 15, 2011. In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. However, management chose to implement this pronouncement for the year ended June 30, 2013. The early implementation of this pronouncement did not result in any restatement of prior period balances.

E. Assets, Liabilities and Fund Balance/Net Position

Cash

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

Receivables and Payables

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

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

Inventories

Inventory records are not maintained on a perpetual basis. The City takes a physical inventory at fiscal year-end, which is recorded at cost using the first-in/first-out (FIFO) method.

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.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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. Major outlays for capital assets and improvements that are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year under examination, there were no interest costs capitalized.

Capital assets are depreciated over the following useful lives:

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applied to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had no deferred outflows as of June 30, 2014.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition 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 one item that qualifies for reporting in this category. Property taxes reported as receivables in the statements of financial position before the period for which they were levied are deferred and recognized as an inflow of resources in the period that the amounts become available. This item is reported as unavailable revenue in both the governmental funds balance sheet and the statement of net position.

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.

Long-term Obligations

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

Fund Balance/Net Position

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

- Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

- 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, 2014, the City had restricted fund balance of \$26,747 for Drug and Police Evidence Funds, \$109,614 for the Ambulance Fund and \$272,620 for municipal aid funds.

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 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The financial statements include a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$3,482,673 difference are as follows:

Governmental funds capital assets	\$ 8,560,945
Less accumulated depreciation	<u>5,078,272</u>
Net adjustment	<u>\$ 3,482,673</u>

Another element of that reconciliation explains that “long-term liabilities are not due in the current period and, therefore, are not reported in the funds.” The details of the \$315,507 are as follows:

Note payable - fire truck	\$ 279,705
Compensated absences	<u>35,802</u>
Net adjustment	<u>\$ 315,507</u>

The financial statements also include a reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.”

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

The details of this \$279,705 difference are as follows:

Note payable - fire truck	\$ 298,997
Principal repayments:	<u>(19,292)</u>
Net adjustment	<u>\$ 279,705</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. 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.
2. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
3. Budgets for the general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 4 – 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, 2014, all bank balances were covered by insurance or adequately collateralized. All funds are classified as public funds.

B. Receivables

Receivables as of June 30, 2014, for the City's individual major funds and nonmajor funds in the aggregate are detailed in the governmental funds balance sheet. The Utility Fund has an allowance for uncollectible accounts of \$8,000 as of June 30, 2014. The allowance for uncollectible property taxes was \$48,556 at June 30, 2014.

C. Interfund receivables, payables, and transfers

All due to/due from amounts at June 30, 2014, were temporary balances regarding expenditure revolving fund transactions. The transfer of \$172,987 from the Utility Fund to the General Fund is the annual in-lieu-of-tax payment.

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

D. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 269,920	\$ -	\$ -	\$ 269,920
Capital assets, being depreciated				
Buildings	3,844,415	-	-	3,844,415
Vehicles and equipment	<u>3,776,874</u>	<u>669,736</u>	<u>-</u>	<u>4,446,610</u>
Total capital assets, being depreciated	<u>7,621,289</u>	<u>669,736</u>	<u>-</u>	<u>8,291,025</u>
Less accumulated depreciation for:				
Buildings	1,818,067	64,671	-	1,882,738
Vehicles and equipment	<u>2,947,267</u>	<u>248,267</u>	<u>-</u>	<u>3,195,534</u>
Total accumulated depreciation	<u>4,765,334</u>	<u>312,938</u>	<u>-</u>	<u>5,078,272</u>
Total capital assets being depreciated, net	<u>2,855,955</u>	<u>356,798</u>	<u>-</u>	<u>3,212,753</u>
Governmental activities capital assets, net	<u>\$ 3,125,875</u>	<u>\$ 356,798</u>	<u>\$ -</u>	<u>\$ 3,482,673</u>
Business-type activities:				
Capital assets, being depreciated				
Utility plant in operation	\$ 8,974,557	\$ 715,533	\$ 141,606	\$ 9,548,484
Less accumulated depreciation for:				
Utility plant in operation	<u>4,770,381</u>	<u>142,154</u>	<u>69,762</u>	<u>4,842,773</u>
Total capital assets, being depreciated, net	4,204,176	573,379	71,844	4,705,711
Capital assets, not being depreciated				
Construction in progress	<u>697,654</u>	<u>-</u>	<u>697,654</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 4,901,830</u>	<u>\$ 573,379</u>	<u>\$ 769,498</u>	<u>\$ 4,705,711</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General	\$ 122,331
Public safety	174,373
Highways and streets	<u>16,234</u>
Total - governmental activities	<u>\$ 312,938</u>
Business-type activities:	
Water and sewer	<u>\$ 142,154</u>

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

E. Long-Term Debt

Governmental Funds

The City borrowed \$298,997 on February 18, 2014, for the purchase of a fire truck. The note matures February 1, 2019, and requires 60 monthly payments of \$5,291 beginning March 1, 2014. The interest rate is fixed at 2.4%. The balance outstanding as of June 30, 2014, was \$279,705.

Utility Fund

In conjunction with the issuance of Kentucky Rural Water Finance Corporation (KRWFC) Public Projects Refunding and Improvement Revenue Bonds, Series 2013C, the City amended its assistance agreement with KRWFC effective March 27, 2013, in order to effect substantial debt service savings regarding the original loan used for major water system improvements completed in 2006. The balance outstanding at the time of the amendment was \$903,000. The revised principal amount of the loan as a result of this amendment is \$840,000. This refunding was undertaken to reduce total debt service payments over the next 14 years by \$179,182 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$145,695. The premium associated with the new debt was \$79,966. This amount is being amortized over the life of the new debt, and is included in bonds payable in the statements of net position. Amortization for the year ended June 30, 2014, was \$5,331.

The refunding bonds have interest rates that vary from 2.3% to 4.8% and the maturity date is February 1, 2027. Principal payments are due annually on February 1, with interest payments due semi-annually on February 1 and August 1.

The following is a summary of future debt service requirements for the City:

Year Ending June 30,	Government Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 57,324	\$ 6,170	\$ 50,000	\$ 30,942
2016	58,725	4,773	50,000	29,293
2017	60,180	3,315	50,000	27,392
2018	61,662	1,835	55,000	25,135
2019	41,814	384	55,000	22,770
2020-2024	-	-	310,000	75,041
2025-2028	-	-	215,000	10,711
Totals	<u>\$ 279,705</u>	<u>\$ 16,477</u>	<u>\$ 785,000</u>	<u>\$ 221,284</u>

Changes in long-term liabilities for the year ended June 30, 2014, were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activities:					
Note payable - fire truck	\$ -	\$ 298,997	\$ 19,292	\$ 279,705	\$ 57,324
Compensated absences	35,802	-	-	35,802	n/a
Total	<u>\$ 35,802</u>	<u>\$ 298,997</u>	<u>\$ 19,292</u>	<u>\$ 315,507</u>	

CITY OF FULTON, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Business-type activities:					
KY Rural Water Finance Corp. - refunding	\$ 840,000	\$ -	\$ 55,000	\$ 785,000	\$ 50,000
Bond premium, reduced by amortization	74,635	-	5,331	69,304	n/a
Compensated absences	16,465	-	-	16,465	-
	<u>\$ 931,100</u>	<u>\$ -</u>	<u>\$ 60,331</u>	<u>\$ 870,769</u>	<u>\$ 50,000</u>

F. Prior Period Adjustment

There was a prior period adjustment made to beginning fund balance in the General Fund and to beginning net assets in the government-wide statements. The beginning balances were decreased by \$1,992 to correct grant activity reported in the prior year. Beginning cash related to grants was increased by \$300 and grants receivable was decreased by \$2,292.

OTHER SUPPLEMENTARY INFORMATION SECTION

**CITY OF FULTON, KENTUCKY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014**

	<u>Special Revenue Funds</u>		
	<u>Municipal Aid Fund</u>	<u>Ambulance Fund</u>	<u>Total</u>
Assets			
Cash in banks	\$ 257,900	\$ 109,614	\$ 367,514
Grants receivable	<u>24,134</u>	<u>-</u>	<u>24,134</u>
Total assets	<u>\$ 282,034</u>	<u>\$ 109,614</u>	<u>\$ 391,648</u>
Liabilities			
Unearned revenue	\$ 9,414	\$ -	\$ 9,414
Fund balances			
Restricted	<u>272,620</u>	<u>109,614</u>	<u>382,234</u>
Total liabilities and fund balances	<u>\$ 282,034</u>	<u>\$ 109,614</u>	<u>\$ 391,648</u>

See independent auditor's report

CITY OF FULTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	<u>Special Revenue Funds</u>		
	<u>Municipal Aid Fund</u>	<u>Ambulance Fund</u>	<u>Total</u>
Revenues			
Intergovernmental revenue	\$ 53,273	\$ 40,092	\$ 93,365
Interest income	2,089	613	2,702
Total revenues	<u>55,362</u>	<u>40,705</u>	<u>96,067</u>
Expenditures			
Repair and maintenance	13,809	-	13,809
Professional/technical services	530	-	530
Total expenditures	<u>14,339</u>	<u>-</u>	<u>14,339</u>
Net change in fund balances	41,023	40,705	81,728
Fund balances - July 1, 2013	<u>231,597</u>	<u>68,909</u>	<u>300,506</u>
Fund balances - June 30, 2014	<u>\$ 272,620</u>	<u>\$ 109,614</u>	<u>\$ 382,234</u>

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

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
State municipal aid	\$ 69,000	\$ 52,999	\$ 53,273	\$ 274
Interest	1,300	1,903	2,089	186
Total revenues	<u>70,300</u>	<u>54,902</u>	<u>55,362</u>	<u>460</u>
Expenditures				
Maintenance - streets	10,000	49,368	13,809	(35,559)
Professional/technical services	35,000	578	530	(48)
Sidewalk repair	10,000	-	-	-
Total expenditures	<u>55,000</u>	<u>49,946</u>	<u>14,339</u>	<u>(35,607)</u>
Net change in fund balance	15,300	4,956	41,023	36,067
Fund balance - July 1, 2013	<u>231,597</u>	<u>231,597</u>	<u>231,597</u>	<u>-</u>
Fund balance - June 30, 2014	<u>\$246,897</u>	<u>\$ 236,553</u>	<u>\$ 272,620</u>	<u>\$ 36,067</u>

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

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Hotel tax - City of Fulton	\$ 2,000	\$ 2,080	\$ 1,907	\$ (173)
Restaurant tax	75,000	71,252	76,241	4,989
Interest	1,400	1,082	1,183	101
Festival income	25,000	29,855	29,866	11
Miscellaneous	350	-	-	-
Total revenues	<u>103,750</u>	<u>104,269</u>	<u>109,197</u>	<u>4,928</u>
Expenditures				
Clerical services	12,000	8,748	9,798	1,050
Special projects	22,000	3,000	3,629	629
Office supplies	100	1,800	1,668	(132)
Fourth of July/Christmas	9,500	12,500	11,625	(875)
Telephone	800	841	855	14
Advertising/printing	700	105	96	(9)
Festival expenses	57,500	70,000	67,662	(2,338)
Miscellaneous	500	1,596	306	(1,290)
Postage	350	250	225	(25)
Total expenditures	<u>103,450</u>	<u>98,840</u>	<u>95,864</u>	<u>(2,976)</u>
Net change in fund balance	300	5,429	13,333	7,904
Fund balance - July 1, 2013	<u>133,666</u>	<u>133,666</u>	<u>133,666</u>	<u>-</u>
Fund balance - June 30, 2014	<u>\$ 133,966</u>	<u>\$ 139,095</u>	<u>\$ 146,999</u>	<u>\$ 7,904</u>

See independent auditor's report

CITY OF FULTON, KENTUCKY
SCHEDULE OF STATE ASSISTANCE
For the Year Ended June 30, 2014

Grantor Agency/ Pass-through Entity/ Program Name	Grant Number	Balance July 1, 2013	Adjustments	Receipts	Disbursements	Balance June 30, 2014	(Receivable) Unearned June 30, 2014
KCTCS							
Fire Dept thermal imaging camera	n/a	\$ -	\$ -	\$ 3,200	\$ 3,200	\$ -	\$ -
Kentucky Transportation Cabinet							
Fulton Industrial Park Road Project	800020817	9,414	-	-	-	9,414	9,414
Highway Planning and Construction	STPE 3000 (706)	-	(24,134) *	-	-	(24,134)	(24,134)
Kentucky League of Cities							
KLCIS Safety Grant Program	n/a	-	-	3,459	3,459	-	-
Kentucky State Fire Commission							
Fire Rescue Training	n/a	-	-	8,250	8,250	-	-
Kentucky Infrastructure Authority							
Infrastructure for Economic Development Fund	SX21075006	-	-	-	28,080	(28,080)	(28,080)
Total state assistance		\$ 9,414	\$ (24,134)	\$ 14,909	\$ 42,989	\$ (42,800)	\$ (42,800)

*transferred from federal schedule

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

See independent auditor's report

CITY OF FULTON, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Grantor Agency/ Pass-through Entity/ Program Name	CFDA #	Grant Number	Balance July 1, 2013	Adjustment	Receipts	Disbursements	Balance June 30, 2014	(Receivable) Unearned June 30, 2014
U.S. Department of Homeland Security								
Assistance to Firefighters Program	97.044	EMW-2010-FR-00228	\$ -	\$ -	\$ 326,075	\$ 326,075	\$ -	\$ -
Assistance to Firefighters Program	97.044	EMW-2012-FO-00331	-	-	38,798	38,798	-	-
			-	-	364,873	364,873	-	-
U.S. Department of Transportation - Federal Highway Administration/ Kentucky Transportation Cabinet/ Highway Planning and Construction	20.205	STPE 3000 (706)	(24,134)	24,134 *	-	-	-	-
U.S. Department of Housing and Urban Development/ Pass-through Department for Local Government/ Community Development Block Grants:								
State-Administered Small Cities Program	14.228	12-082	-		10,000	10,000	-	-
Scattered Site Housing Revitalization	14.228	08-033	(2,292)	3,100	17,712	18,520	-	-
Total Community Development Block Grants			(2,292)	3,100	27,712	28,520	-	-
Total federal awards			\$ (26,426)	\$ 27,234	\$ 392,585	\$ 393,393	\$ --	\$ --

*moved to state schedule

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

See independent auditor's report

CITY OF FULTON, KENTUCKY
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
BY INDIVIDUAL ISSUE - ALL FUNDS
 June 30, 2014

GENERAL FUND

Year Ended	KRWFC Flexible Term Program Series 2013 B		TOTAL DEBT SERVICE
	Principal	Interest	
2015	\$ 57,324	\$ 6,170	\$ 63,494
2016	58,725	4,773	63,498
2017	60,180	3,315	63,495
2018	61,662	1,835	63,497
2019	41,814	384	42,198
Totals	\$ 279,705	\$ 16,477	\$ 296,182

WATER AND SEWER FUND

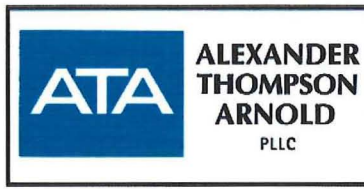
Year Ended	Bonds Payable Kentucky Rural Water Finance Corporation		TOTAL DEBT SERVICE
	Principal	Interest	
2015	\$ 50,000	\$ 30,942	\$ 80,942
2016	50,000	29,293	79,293
2017	50,000	27,392	77,392
2018	55,000	25,135	80,135
2019	55,000	22,770	77,770
2020	55,000	20,405	75,405
2021	60,000	17,935	77,935
2022	65,000	15,245	80,245
2023	65,000	12,288	77,288
2024	65,000	9,168	74,168
2025	70,000	6,102	76,102
2026	75,000	3,454	78,454
2027	70,000	1,155	71,155
Totals	\$ 785,000	\$ 221,284	\$ 1,006,284

See independent auditor's report

INTERNAL CONTROL AND COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Fulton, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated **Release Date**.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2012-001, that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Fulton's Response to Finding

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

Purpose of this Report

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

Alexander Thompson Arnold PLLC

Martin, Tennessee
Release Date

CITY OF FULTON, KENTUCKY
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2014

2012-001 Segregation of Duties

Condition: The City cannot fully segregate the record-keeping, custodial and authorization functions of its internal controls due to the size of its staff.

Criteria: Generally accepted accounting principles require that management design internal control to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or timely detected and corrected. A fundamental concept in a good system of internal control is segregation of duties.

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

Recommendation: We realize that the City cannot fully segregate duties with the number of employees available. However, management and the board should be aware of this issue and continue to develop policies and procedures that segregate accounting functions as much as possible. This policy should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.

Response: *The CFO never signs checks. She writes almost all checks; so, they are signed by two other people. The City Manager reviews the bank reconciliations.*