TOWN OF FULTON, TEXAS

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2019

TOWN OF FULTON, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Town Council
Town of Fulton, Texas

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 Town of Fulton, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Fulton, Texas'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 Town of Fulton, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, the respective budgetary comparison for the General Fund, Police Fund, Det service Fund, and the Hotel/Motel Tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Employee Retirement System Information, and the OPEB system information on pages 4–14, 88-89, and 90 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 Town of Fulton, Texas's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 August --, 2020, on our consideration of the Town of Fulton, Texas'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 Town of Fulton, Texas'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 Town of Fulton, Texas's internal control over financial reporting and compliance.

Beyer & Co.

BEYER & COMPANY
Certified Public Accountants
August 10, 2020

Management's Discussion and Analysis

As management of the Town of Fulton, Texas, we offer readers of the Town of Fulton, Texas' financial statements this narrative overview and analysis of the financial activities of the Town of Fulton, Texas for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets of the Town of Fulton, Texas, exceeded its liabilities at the close of the most recent fiscal year by $5,719,002 (net position). Of this amount, $741,788 or 13% (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net position increased by $1,453,074. This increase is due to an overall increase in Operating Grants and Contributions or $221,311, Capital Grants and Contributions of $697,989, and careful budget management.

- The Town of Fulton, Texas' total restricted net position at September 30, 2019 is $552,496 at September 30, 2019 or 10%.

- The Town of Fulton, Texas' total debt decreased by $160,054 (6 percent) during the current fiscal year. The key factor in this decrease is the payment of bond principle of $205,000.

- The Town of Fulton, Texas' total capital assets increased by $1,452,191 (27 percent) during the current fiscal year. The key factor in this increase was the construction of the new Convention Center.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Fulton, Texas' basic financial statements. The Town of Fulton, Texas' basic financial statements comprises three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Fulton, Texas' finances, in a manner like a private-sector business.

The statement of net position presents information on all the Town of Fulton, Texas' assets, and liabilities, with the difference between the two 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 Town of Fulton, Texas is improving or deteriorating.

The statement of activities presents information showing how the government'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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Fulton, Texas 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 Town of Fulton, Texas include general administration, public safety, public transportation, health and welfare, public facilities, capital projects, and culture and recreation. The business-type activities of the Town of Fulton, Texas include a sewer, Paws and Taws, and pier fund.

The government-wide financial statements include only the Town of Fulton, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 15-16 of this report.

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 Town of Fulton, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town of Fulton, Texas can be divided into two categories: governmental funds and proprietary 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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Fulton, Texas maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, police fund, debt service fund, the hotel/motel tax fund, and the FEMA grant fund which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Fulton, Texas adopts an annual appropriated budget for its general fund, police fund, and its hotel/motel tax fund. A budgetary comparison statement has been provided for the general fund, police fund, the debt service fund and hotel/motel tax fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-24 of this report.

Proprietary funds: The Town of Fulton, Texas maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Fulton, Texas uses enterprise funds to account for its sewer, Paws and Taws, and pier fund activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer fund, the paws and taws fund, and the pier fund, each of which are major funds of the Town of Fulton, Texas.

The basic proprietary fund financial statements can be found on pages 25-29 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 30-87 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Fulton, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 88-90 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 91-92 of this report.

The single audit section can be found on pages 93 -102.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Fulton, Texas, assets exceeded liabilities by $5,719,002 at the close of the most recent fiscal year. Over half the portion of the Town of Fulton, Texas' net position (77 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town of Fulton, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Fulton, Texas' 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.

TOWN OF FULTON, TEXAS
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	$2,350,840	$1,602,647	$167,202	$239,702	$2,518,042	$1,842,349
Restricted Assets:		0			0	0
Capital Assets:	3,760,626	3,815,120	3,034,173	1,527,488	6,794,799	5,342,608
Total Assets	6,111,466	5,417,767	3,201,375	1,767,190	9,312,841	7,184,957
Total Deferred Outflows of Resources	25,939	19,051	48,683	24,805	74,622	43,856
Long-Term Liabilities	2,437,538	2,601,583	153,813	149,822	2,591,351	2,751,405
Other Liabilities (Payable from Restricted Assets)				0	0	0
Other Liabilities	1,055,527	77,685	21,583	117,186	1,077,110	194,871
Total Liabilities	3,493,065	2,679,268	175,396	267,008	3,668,461	2,946,276
Total Deferred Inflows of Resources		7,215		9,394	0	16,609
Invested in Capital Assets, Net of Related Debt	1,390,545	1,275,120	3,034,173	1,527,971	4,424,718	2,803,091
Restricted	552,496	927,278			552,496	927,278
Unrestricted	701,299	547,937	40,489	(12,378)	741,788	535,559
Total Net Position	$2,644,340	$2,750,335	$3,074,662	$1,515,593	$5,719,002	$4,265,928

An additional portion of the Town of Fulton, Texas' net position (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($741,788) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year and for the prior fiscal year, the Town of Fulton, Texas reported a positive balance in the governmental activities and a positive balance in the business-type activities except for the unrestricted in the business-type activities which had a negative balance of $12,378 in the prior year.

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There was a decrease of $374,782 in restricted net position reported in connection with the Town of Fulton, Texas' activities. This decrease was mostly a result of the construction of the new Convention Center. The government's total net position increased by $1,453,074. This increase is due to an overall increase in Operating Grants and Contributions or $221,311, Capital Grants and Contributions of $697,989, and careful budget management.

Governmental Activities:

Governmental activities decreased the Town of Fulton, Texas' net position by $105,995. This decrease is due to an overall increase in Operating Grants and Contributions or $221,311, Capital Grants and Contributions of $697,989, less an increase in transfers out of $1,469,346.

TOWN OF FULTON, TEXAS
CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	$5,216	$3,768	$617,009	$676,579	$622,225	$680,347
Operating Grants and Contributions	221,989	678			221,989	678
Capital Grants and Contributions	928,132	230,143			928,132	230,143
General Revenues:						
Maintenance and Operations Taxes	491,332	526,490			491,332	526,490
Sales Taxes	209,436	207,277			209,436	207,277
Franchise Taxes	105,341	110,603			105,341	110,603
Hotel/Motel	235,760	213,329			235,760	213,329
Other Taxes	35,842	35,660			35,842	35,660
Licenses and Permits	66,647	103,382			66,647	103,382
Unrestricted Investment Earnings	7,345	4,911	608	25	7,953	4,936
Miscellaneous	67,014	35,210			67,014	35,210
Total Revenue	2,374,054	1,471,451	617,617	676,604	2,991,671	2,148,055
Expenses:						
General Administration	262,005	355,235			262,005	355,235
Public Facilities	10,586	93,365			10,586	93,365
Public Safety	259,289	253,238			259,289	253,238
Public Transportation	36,632	91,485			36,632	91,485
Culture and Recreation	196,904	122,562			196,904	122,562
Interest and Fiscal Charges	118,147	118,212			118,147	118,212
Sewer			600,283	461,346	600,283	461,346
Paws and Taws			54,828	37,402	54,828	37,402
Pier			99	389	99	389
FEMA Expenses				184,227	0	184,227
Total Expenses	883,563	1,034,097	655,210	683,364	1,538,773	1,717,461
Increase in Net Position Before Special Items, and Transfers	1,490,491	437,354	(37,593)	(6,760)	1,452,898	430,594
Transfers	(1,596,662)	(127,316)	1,596,662	127,316	0	0
Insurance Recovery	176	565,873			176	565,873
Casualty Loss - Hurricane				(516,512)	0	(516,512)
Increase in Net Position	(105,995)	875,911	1,559,069	(395,956)	1,453,074	1,453,074
Net Position at 09/30/2018 - Restated	2,750,335	1,874,424	1,515,593	1,911,549	4,265,928	3,785,973
Net Position at 09/30/2019	$2,644,340	$2,750,335	$3,074,662	$1,515,593	$5,719,002	$4,265,928

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	$262,005	$0	$0	$0
Public Facilities	10,586			928,132
Public Safety	259,289	5,216	221,989	
Public Transportation	36,632			
Culture and Recreation	196,904			
Interest and Fiscal Charges	118,147			
Total Government Activities	$883,563	$5,216	$221,989	$928,132

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	$5,216	0%
Operating Grants and Contributions	221,989	9%
Capital Grants and Contributions	928,132	39%
Maintenance and Operations Taxes	491,332	21%
Sales Taxes	209,436	9%
Franchise Taxes	105,341	4%
Hotel/Motel	235,760	10%
Other Taxes	35,842	2%
Licenses and Permits	66,647	3%
Unrestricted Investment Earnings	7,345	0%
Miscellaneous	67,014	3%
	$2,374,054	100%

For the most part, increases and decreases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities:

Business-type activities increased the Town of Fulton, Texas' net position by $1,559,069. This increase is due to an increase of transfers in of $1,469,346 for the construction of the new Convention Center.

Expenses and Program Revenues - Business-Type Activities

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Business-Type Activities:				
Sewer	$600,283	$616,508	$0	$0
Paws and Taws	54,828	197		
Pier	99	304		
FEMA Expenses	0			
Casualty Loss - Hurricane	0			
Total Business-Type Activities	$655,210	$617,009	$0	$0

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	$617,009	100%
Unrestricted Investment Earnings	608	0%
	$617,617	100.00%

Financial Analysis of the Government's Funds

As noted earlier, the Town of Fulton, Texas' uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town of Fulton, Texas' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Fulton, Texas' financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Fulton, Texas' governmental funds reported combined ending fund balances of $1,269,080, a decrease of $245,837 in comparison with the prior year. Approximately 52 percent of this total amount $654,372 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or nonspendable.

The general fund is the chief operating fund of the Town of Fulton, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was $733,073, while total fund balance reached $795,285. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 161 percent of total general fund expenditures, while total fund balance represents 174 percent of that same amount.

The fund balance of the Town of Fulton, Texas' general fund increased by $156,172 during the current fiscal year. This increase is comparable to expenditures decreasing by $126,661.

The police fund has a total fund balance of a minus $58,701; all of which is to be used for police services. As a measure of the police fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents 0 percent of total expenditures.

The fund balance of the Town of Fulton, Texas' police fund decreased during the current year by $21,966. This decrease is a result of an increase in police expenditures of $30,675.

The debt service fund has a total fund balance of $22,131 all of which is to be used for debt service services. As a measure of the debt service fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents 7 percent of total expenditures.

The fund balance of the Town of Fulton, Texas' debt service fund decreased during the current year by $13,227. This decrease is a result of an increase in debt service expenditures of $12,342.

The hotel/motel tax fund has a total fund balance of $226,597, all of which is to be used for hotel/motel tax services. As a measure of the hotel/motel tax fund's liquidity, it may be useful to compare the total fund balance to total fund expenditures. Total fund balance represents 132 percent of total expenditures.

The fund balance of the Town of Fulton, Texas' hotel/motel tax fund increased during the current year by $34,371. This increase is a result of a decrease in transfers out of $35,875.

The FEMA Grant fund is a capital projects fund and therefore any analysis regarding this fund would be impractical and will not be forthcoming.

Proprietary Funds:

The Town of Fulton, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the sewer fund at the end of the year amounted to $179,144, those for the paws and taws fund amounted to a negative $164,410, and those for the pier fund amounted to $25,755. The increase in net position for all the funds was $1,559,069. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town of Fulton, Texas' business-type activities.

Budgetary Highlights:

There was no change between the original budget and the final amended budget in the general fund.

Capital Asset and Debt Administration

Capital Assets:

The Town of Fulton, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to $6,794,799 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the Town of Fulton, Texas' investment in capital assets for the current fiscal year was 27 percent (a 1 percent decrease for governmental activities and a 99 percent increase for business-type activities). The key factor in this increase was the building of a new Convention Center in the Paws and Taws fund.

TOWN OF FULTON, TEXAS
CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$295,000	$295,000	$0	$0	$295,000	$295,000
Construction in Progress	0	0	1,555,053	38,391	1,555,053	38,391
Building and Improvements	175,619	182,834	38,325	41,062	213,944	223,896
Machinery and Equipment	69,817	35,009	168,553	153,843	238,370	188,852
Infrastructure	3,220,190	3,302,277	1,272,242	1,294,192	4,492,432	4,596,469
Total	$3,760,626	$3,815,120	$3,034,173	$1,527,488	$6,794,799	$5,342,608

Additional information on the Town of Fulton, Texas' capital assets can be found in note IV.C on pages 46-47 of this report.

Long-Term Debt:

At the end of the current fiscal year, the Town of Fulton, Texas had total bonded debt outstanding of $2,335,000. Of this amount, $2,335,000 comprises debt backed by the full faith and credit of the Town of Fulton, Texas.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental activities:						
General Obligation Bonds	$2,540,000	$0	$205,000	$2,335,000	$225,000	$2,110,000
	2,540,000	0	205,000	2,335,000	225,000	2,110,000
Grand Total	$2,540,000	$0	$205,000	$2,335,000	$225,000	$2,110,000

The Town of Fulton, Texas' total bonded debt decreased by $205,000 (8 percent) during the current fiscal year. The key factor in this decrease is the payment of bond principle of $205,000.

Additional information on the Town of Fulton, Texas' long-term debt can be found in note IV F on pages 50-52 of this report.

Economic Factors

Budgetary considerations for the fiscal year 2020 will be based on the results of 2019.

There are no currently known facts, conditions, or decisions which are expected to have a significant effect on the financial position or results of operations on the Town of Fulton. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Town. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Requests for Information:

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money (funds) it receives. If you have any questions about this report or need additional financial information, please contact the Town of Fulton, Texas at 201 N. Seventh Street, Fulton, Texas 78358.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF FULTON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$1,771,042	$247,992	$2,019,034
Receivables (Net of Allowance for Uncollectibles)	416,932	67,772	484,704
Due from Other Funds	148,562	(148,562)	0
Prepaid Items	14,304	0	14,304
Capital Assets Not Being Depreciated:			
Land	295,000		295,000
Construction in Progress		1,555,053	1,555,053
Total Capital Assets Being Depreciated, Net			
Infrastructure	3,220,190	1,272,242	4,492,432
Buildings	175,619	38,325	213,944
Machinery and Equipment	69,817	168,553	238,370
Total Assets	$6,111,466	$3,201,375	$9,312,841
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/18)	15,064	28,272	43,336
Difference in projected and actual earnings	9,669	18,148	27,817
Difference in expected and actual experience	664	1,246	1,910
GASB 75			
Difference in expected and actual experience	493	925	1,418
Difference in Changes in assumptions and other inputs	49	92	141
Total Deferred Outflows of Resources	25,939	48,683	74,622
LIABILITIES:			
Accounts Payable	$1,037,098	$21,583	$1,058,681
Accrued Interest Payable	18,429		18,429
Noncurrent Liabilities:			
Due Within One Year	233,097	19,554	252,651
Due in More Than One Year	2,204,441	134,259	2,338,700
Total Liabilities	3,493,065	175,396	3,668,461
LIABILITIES:			
Net Position			
Invested in Capital Assets, Net of Related Debt	1,390,545	3,034,173	4,424,718
Restricted for:			
Construction	17,488		17,488
Debt Service	22,131		22,131
Economic Development	253,667		253,667
Public Facilities	37,903		37,903
Public Safety	221,307		221,307
Unrestricted	701,299	40,489	741,788
Total Net Position	$2,644,340	$3,074,662	$5,719,002

The accompanying notes are an integral part of this statement.

TOWN OF FULTON, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in: Governmental Activities	Net (Expense) Revenue and Changes in: Business-Type Activities	Net (Expense) Revenue and Changes in: Total
Primary Government							
Government Activities:							
General Administration	$262,005				($262,005)		($262,005)
Public Facilities	10,586			928,132	917,546		917,546
Public Safety	259,289	5,216	221,989		(32,084)		(32,084)
Public Transportation	36,632				(36,632)		(36,632)
Culture and Recreation	196,904				(196,904)		(196,904)
Interest and Fiscal Charges	118,147				(118,147)		(118,147)
Total Government Activities	883,563	5,216	221,989	928,132	271,774	0	271,774
Business-Type Activities:							
Sewer	600,283	616,508		0		16,225	16,225
Paws and Taws	54,828	197				(54,631)	(54,631)
Pier	99	304				205	205
Total Business-Type Activities	655,210	617,009	0	0		(38,201)	(38,201)
Total Primary Government	$1,538,773	$622,225	$221,989	$928,132	271,774	(38,201)	233,573
General Revenues							
Property Taxes, Levies for General Purposes							
Taxes							
Property					491,332		491,332
Sales					209,436		209,436
Franchise					105,341		
Hotel/Motel					235,760		235,760
Other					35,842		35,842
Licenses and Permits					66,647		66,647
Unrestricted Investment Earnings					7,345	608	7,953
Miscellaneous					67,014		67,014
Special item-gain(loss)on							
Insurance Recovery					176		176
Transfers					(1,596,662)	1,596,662	0
Total general revenues, special items and transfers					(377,769)	1,597,270	1,219,501
Change in Net Position					(105,995)	1,559,069	1,453,074
Net Position - Beginning - Restated					2,750,335	1,515,593	4,265,928
Net Position - Ending					$2,644,340	$3,074,662	$5,719,002

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF FULTON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Police Fund	Debt Service Fund	Hotel/ Motel Tax Fund	FEMA Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	$574,792	$7,372	$22,131	$143,398	$752,281	$271,068	$1,771,042
Receivables (Net of Allowance for Uncollectibles)	19,711	3,475	14,905	89,049	268,900		396,040
Due from Other Funds	291,175			20,000			311,175
Prepaid Expenses	12,212			2,092			14,304
Total Assets	$897,890	$10,847	$37,036	$254,539	$1,021,181	$271,068	$2,492,561
LIABILITIES AND FUND BALANCES:							
Accounts Payable	$34,602	$533		$13,482	$983,278	$5,203	$1,037,098
Due to Other Funds	59,138	69,015		14,460		20,000	162,613
Total Liabilities	93,740	69,548	0	27,942	983,278	25,203	1,199,711
DEFERRED INFLOWS OF RESOURCES							
Deferred Property Taxes	8,865		14,905				23,770
Fund Balances:							
Non-Spendable							
Prepaid Items	12,212						12,212
Restricted							
Construction						17,488	17,488
Debt Service			22,131				22,131
Economic Development				226,597		27,070	253,667
Public Facilities					37,903		37,903
Public Safety						221,307	221,307
Committed							
Public Safety	50,000						50,000
Unassigned	733,073	(58,701)				(20,000)	654,372
Total Fund Balance	795,285	(58,701)	22,131	226,597	37,903	245,865	1,269,080
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$897,890	$10,847	$37,036	$254,539	$1,021,181	$271,068	$2,492,561

The accompanying notes are an integral part of this statement.

TOWN OF FULTON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds Balance Sheet	
Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	$1,269,080
Capital assets used in governmental activities are not reported in the funds.	3,760,626
Some expenses are not expensed in the current period but rather are deferred in the funds.	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	23,770
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	46,831
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,455,967)
Net Position of Governmental Activities - Statement of Net Position	$2,644,340

The accompanying notes are an integral part of this statement.

TOWN OF FULTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Police Fund	Debt Service Fund	Hotel/ Motel Tax Fund	FEMA Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	$183,599	$0	$308,678				$492,277
Sales	209,436						209,436
Franchise	105,341						105,341
Hotel/Motel				235,760			235,760
Other	35,842						35,842
Intergovernmental		682			928,132	221,307	1,150,121
Licenses and Permits	66,647						66,647
Fines and Forfeitures		5,216					5,216
Interest	7,254				91		7,345
Insurance Recovery						176	176
Miscellaneous	24,266	152				24,221	48,639
Total Revenues	632,385	6,050	308,678	235,760	928,223	245,704	2,356,800
EXPENDITURES							
Current:							
General Administration	258,139					2,800	260,939
Public Facilities	4,834				2,500	3,252	10,586
Public Safety	177,620	82,997					260,617
Public Transportation	5,544						5,544
Culture and Recreation	10,076			171,389			181,465
Debt Service							
Principal Retirement			205,000				205,000
Interest and Fiscal Charges			116,905				116,905
Total Expenditures	456,213	82,997	321,905	171,389	2,500	6,052	1,041,056
Excess (Deficiency) of Revenues Over (Under) Expenditures	176,172	(76,947)	(13,227)	64,371	925,723	239,652	1,315,744
OTHER FINANCING SOURCES (USES):							
Notes Payable Proceeds		34,981				100	35,081
Operating Transfers In		20,000					20,000
Operating Transfers Out	(20,000)			(30,000)	(997,058)	(569,604)	(1,616,662)
Total Other Financing Sources (Uses)	(20,000)	54,981	0	(30,000)	(997,058)	(569,504)	(1,561,581)
Net Changes in Fund Balances	156,172	(21,966)	(13,227)	34,371	(71,335)	(329,852)	(245,837)
Fund Balances - Beginning (Restated)	639,113	(36,735)	35,358	192,226	109,238	575,717	1,514,917
Fund Balances - Ending	$795,285	($58,701)	$22,131	$226,597	$37,903	$245,865	$1,269,080

The accompanying notes are an integral part of this statement.

TOWN OF FULTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2019

Net Changes in Fund Balances - Total Governmental Funds	($245,837)
Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(54,494)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	18,375
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(945)
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	(1,424)
Difference in projected and actual earnings. This is the change in these amounts this year.	16,884
Difference in expected and actual experience. This is the change in these amounts this year.	(1,237)
(Increase) decrease in net pension liability from beginning of period to end of period.	(8,416)
GASB 75	
Difference in expected and actual experience. This is the change in these amounts this year.	493
Difference in assumption changes. This is the change in these amounts this year.	(613)
(Increase) decrease in OPEB liability from beginning of period to end of period.	2,632
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	205,000
(Increase) decrease in accrued interest payable from beginning of period to end of period.	(1,242)
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(90)
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(35,081)
(Decrease) increase in prepaid items from beginning of period to end of period.	
Change in Net Position of Governmental Activities - Statement of Activities	($105,995)

The accompanying notes are an integral part of this statement.

TOWN OF FULTON, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Property	$356,208	$356,208	$183,599	($172,609)
Sales	130,000	130,000	209,436	79,436
Franchise	85,000	85,000	105,341	20,341
Other	30,840	30,840	35,842	5,002
Licenses and Permits	80,160	80,160	66,647	(13,513)
Charges for Services	50,000	50,000	0	(50,000)
Interest	2,000	2,000	7,254	5,254
Miscellaneous	13,900	13,900	24,266	10,366
Total Revenues	748,108	748,108	632,385	(115,723)
EXPENDITURES				
Current:				
General Administration				
Administration	453,108	453,108	258,139	194,969
Public Facilities				
Public Works	1,000	1,000	4,834	(3,834)
Public Safety				
EMS	40,000	40,000	45,000	(5,000)
Fire Department	10,000	10,000	10,609	(609)
Juvenile	4,000	4,000	4,868	(868)
Animal Control	25,000	25,000	33,000	(8,000)
Police	90,000	90,000	84,143	5,857
Public Transportation				
Streets	44,000	44,000	5,544	38,456
Culture and Recreation				
Parks and Recreation	2,000	2,000	10,076	(8,076)
Total Expenditures	669,108	669,108	456,213	212,895
Excess (Deficiency) of Revenues Over (Under) Expenditures	79,000	79,000	176,172	97,172
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out			(20,000)	(20,000)
Total Other Financing Sources (Uses)	0	0	(20,000)	(20,000)
Net Changes in Fund Balances	79,000	79,000	156,172	77,172
Fund Balances - Beginning (Restated)	639,113	639,113	639,113	
Fund Balances - Ending	$718,113	$718,113	$795,285	$77,172

The notes to the financial statements are an integral part of this statement.

TOWN OF FULTON, TEXAS
POLICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Sales and Liquor Taxes	$25,000	$25,000	$0	($25,000)
Intergovernmental	700	700	682	(18)
Fines and Forfeitures	7,000	7,000	5,216	(1,784)
Interest	2	2		(2)
Miscellaneous	50	50	152	102
Total Revenues	32,752	32,752	6,050	(26,702)
EXPENDITURES				
Current:				
Public Safety				
Police	97,177	97,177	82,997	14,180
Total Expenditures	97,177	97,177	82,997	14,180
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,425)	(64,425)	(76,947)	(12,522)
OTHER FINANCING SOURCES (USES):				
Capital Lease Proceeds	29,425	29,425	34,981	5,556
Operating Transfers In	35,000	35,000	20,000	(15,000)
Total Other Financing Sources (Uses)	64,425	64,425	54,981	(9,444)
Net Changes in Fund Balances	0	0	(21,966)	(21,966)
Fund Balances - Beginning	(36,735)	(36,735)	(36,735)	
Fund Balances - Ending	($36,735)	($36,735)	($58,701)	($21,966)

The notes to the financial statements are an integral part of this statement.

TOWN OF FULTON, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Property	$298,258	$298,258	$308,678	$10,420
Total Revenues	298,258	298,258	308,678	10,420
EXPENDITURES				
Current:				
Debt Service				
Principal Retirement	246,686	246,686	205,000	41,686
Interest and Fiscal Charges	58,082	58,082	116,905	(58,823)
Total Expenditures	304,768	304,768	321,905	(17,137)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,510)	(6,510)	(13,227)	(6,717)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(6,510)	(6,510)	(13,227)	(6,717)
Fund Balances - Beginning	35,358	35,358	35,358	
Fund Balances - Ending	$28,848	$28,848	$22,131	($6,717)

The notes to the financial statements are an integral part of this statement.

TOWN OF FULTON, TEXAS
HOTEL-MOTEL TAX FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes				
Hotel/Motel	$170,000	$170,000	$235,760	$65,760
Interest	10	10	0	(10)
Miscellaneous				0
Total Revenues	170,010	170,010	235,760	65,750
EXPENDITURES				
Culture and Recreation				
Tourism	149,200	149,200	171,389	(22,189)
Total Expenditures	149,200	149,200	171,389	(22,189)
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,810	20,810	64,371	43,561
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(20,810)	(20,810)	(30,000)	(9,190)
Total Other Financing Sources (Uses)	(20,810)	(20,810)	(30,000)	(9,190)
Net Changes in Fund Balances	0	0	34,371	34,371
Fund Balances - Beginning	192,226	192,226	192,226	
Fund Balances - Ending	$192,226	$192,226	$226,597	$34,371

The notes to the financial statements are an integral part of this statement.

TOWN OF FULTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds						
	Sewer Current Year	Sewer Prior Year	Paws and Taws Current Year	Paws and Taws Prior Year	Pier Current Year	Pier Prior Year	Totals Current Year
ASSETS							
Current Assets							
Cash and Cash Equivalents	$205,291	$276,501	$9,146	$31,566	$33,555	$33,747	$247,992
Accounts Receivables (Net of Allowance for Uncollectibles)	67,572	52,160	200	200			67,772
Prepaid Expenses				0			0
Due from Other Funds	20,000	20,000					20,000
Total Current Assets	292,863	348,661	9,346	31,766	33,555	33,747	335,764
Noncurrent Assets							
Capital Assets							
Construction in Progress		0	1,555,053	38,391			1,555,053
Infrastructure	2,812,030	2,763,679					2,812,030
Buildings	38,200	38,200	26,733				64,933
Machinery and Equipment	396,159	411,866					396,159
Total Capital Assets	3,246,389	3,213,745	1,581,786	38,391	0	0	4,828,175
Less Accumulated Depreciation	(1,778,854)	(1,737,533)	(15,148)				(1,794,002)
Total Capital Assets (Net of Accumulated Depreciation)	1,467,535	1,476,212	1,566,638	38,391	0	0	3,034,173
Total Noncurrent Assets	1,467,535	1,476,212	1,566,638	38,391	0	0	3,034,173
DEFERRED OUTFLOWS OF RESOURCES							
GASB 68							
Deferred Outflow of Resources-Contributions (after 12/31/17)		20,272		1,196			0
Deferred Outflow of Resources-Contributions (after 12/31/18)	27,553		719				28,272
Difference in expected and actual experience	1,214	2,337	32	138			1,246
Difference in projected and actual earnings	17,686		462				18,148
GASB 75							
Difference in expected and actual experience	901		24				925
Difference in Changes in assumptions and other inputs	90	814	2	48			92
Total Deferred Outflow of Resources	47,444	23,423	1,239	1,382	0	0	48,683
TOTAL ASSETS	$1,807,842	$1,848,296	$1,577,223	$71,539	$33,555	$33,747	$3,418,620

(continued)

(continued)

	Business-Type Activities Enterprise Funds						
	Sewer	Sewer	Paws and Taws	Paws and Taws	Pier	Pier	Totals
LIABILITIES, FUND EQUITY AND OTHER CREDITS	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year
Liabilities							
Current Liabilities (Payable from Current Assets)							
Accounts Payable	$20,535	$114,231	$1,037	$250	$11	$11	$21,583
Compensated Absences	6,401	6,557		0			6,401
Accrued Wages Payable		3,177		0			0
Due to Other Funds	30,150	35,663	130,623	130,623	7,789	8,186	168,562
Capital Lease Payable - Current	13,153	12,638					13,153
Total Current Liabilities (Payable from Current Assets)	70,239	172,266	131,660	130,873	7,800	8,197	209,699
Current Liabilities (Payable from Restricted Assets)							
Consumer Meter Deposits							0
Total Current Liabilities Payable from Restricted Assets	0	0	0	0	0	0	0
Total Current Liabilities	70,239	172,266	131,660	130,873	7,800	8,197	209,699
Noncurrent Liabilities							
Capital Lease Payable	2,245	15,398					2,245
Net Pension Liability	74,627	59,233	42,968	42,566			117,595
Net OPEB Liability	14,052	12,682	367	748			14,419
Total Noncurrent Liabilities	90,924	87,313	43,335	43,314	0	0	134,259
Total Liabilities	161,163	259,579	174,995	174,187	7,800	8,197	343,958
DEFERRED INFLOWS OF RESOURCES							
GASB 68							
Difference in projected and actual earnings		8,871		523			0
Total Deferred Inflow of Resources	0	8,871	0	523	0	0	0
Invested in Capital Assets, Net of Related Debt	1,467,535	1,476,212	1,566,638	38,391	0	0	3,034,173
Unrestricted	179,144	103,634	(164,410)	(141,562)	25,755	25,550	40,489
Total Net Position	$1,646,679	$1,579,846	$1,402,228	($103,171)	$25,755	$25,550	$3,074,662

The notes to the financial statements are an integral part of this statement.

TOWN OF FULTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities Enterprise Funds						
	Sewer Current Year	Sewer Prior Year	Paws and Taws Current Year	Paws and Taws Prior Year	Pier Current Year	Pier Prior Year	Totals Current Year
OPERATING REVENUES:							
Charges for Services	$616,508	$653,496	$100	$22,256		$628	$616,608
Miscellaneous		89	97	0	304	110	401
Total Operating Revenues	616,508	653,585	197	22,256	304	738	617,009
OPERATING EXPENSES:							
Personal Services	172,664	123,888		5,113			172,664
Supplies	10,613	4,472	1,009	56	99	26	11,721
Other Services and Charges	291,820	215,978	52,037	32,233		363	343,857
Depreciation	124,295	115,385	1,782				126,077
Total Operating Expenses	599,392	459,723	54,828	37,402	99	389	654,319
Operating Income (Loss)	17,116	193,862	(54,631)	(15,146)	205	349	(37,310)
NON-OPERATING REVENUES (EXPENSES):							
Interest Income	608	17		3		5	608
Interest and Fiscal Charges	(891)	(1,623)					(891)
Casualty Loss - Hurricane				(326,515)		(189,997)	0
FEMA Expenses		(184,227)					0
Federal and State Grants							0
Total Non-Operating Revenues (Expenses)	(283)	(185,833)	0	(326,512)	0	(189,992)	(283)
Income Before Transfers	16,833	8,029	(54,631)	(341,658)	205	(189,643)	(37,593)
Transfers In (Out) - Net	50,000	23,050	1,546,662	104,266	0	0	1,596,662
Change in Net Position	66,833	31,079	1,492,031	(237,392)	205	(189,643)	1,559,069
Total Net Position - Beginning - Restated	1,579,846	1,548,767	(89,803)	134,221	25,550	215,193	1,515,593
Total Net Position - Ending	$1,646,679	$1,579,846	$1,402,228	($103,171)	$25,755	$25,550	$3,074,662

The notes to the financial statements are an integral part of this statement.

TOWN OF FULTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-Type Activities Enterprise Funds						
	Sewer Current Year	Sewer Prior Year	Paws and Taws Current Year	Paws and Taws Prior Year	Pier Current Year	Pier Prior Year	Totals Current Year
Cash Flows from Operating Activities							
Receipts from Customers and Users	$601,096	$581,425	$197	($6,994)	$304	$738	$601,597
Payments to Suppliers	(401,642)	(112,380)	(52,259)	(35,281)	(496)	(558)	(454,397)
Payments to Employees	(192,125)	(130,397)	(359)	0	0	0	(175,997)
Net Cash Provided (Used) by Operating Activities	7,329	338,648	(52,421)	(42,275)	(192)	180	(28,797)
Cash Flows from Non-Capital and Related Financing Activities							
Federal Grants and Contributions	0	0	0	0			0
Transfers In/Out	50,000	23,050	1,546,662	104,266	0	0	1,596,662
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	50,000	23,050	1,546,662	104,266	0	0	1,596,662
Cash Flows from Capital and Related Financing Activities							
Purchases of Capital Assets	(115,618)	(31,230)	(1,516,661)	(38,391)			(1,632,279)
FEMA Expenses	0	(184,227)					0
Principal Payment on Revenue Bonds, Notes							0
and Capital Leases	(12,638)	(12,144)	0				(12,638)
Interest and Fiscal Charges	(891)	(1,623)	0				(891)
Net Cash Provided (Used) by Capital and Related Financing Activities	(129,147)	(229,224)	(1,516,661)	(38,391)	0	0	(1,645,808)
Cash Flows from Investing Activities							
Interest Received	608	17	0	3	0	5	608
Net Cash Provided (Used) by Investment Activities	608	17	0	3	0	5	608
Net Increase (Decrease) in Cash Equivalents	(71,210)	132,491	(22,420)	23,603	(192)	185	(93,822)
Cash and Cash Equivalents at Beginning of Year	276,501	144,010	31,566	7,963	33,747	33,562	341,814
Cash and Cash Equivalents at End of Year	$205,291	$276,501	$9,146	$31,566	$33,555	$33,747	$247,992

(continued)

(continued)

	Business-Type Activities Enterprise Funds						
	Sewer Current Year	Sewer Prior Year	Paws and Taws Current Year	Paws and Taws Prior Year	Pier Current Year	Pier Prior Year	Totals Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	$17,116	$193,862	($54,631)	($15,146)	$205	$349	(37,310)
Adjustments to Reconcile to Net Cash Flow							
Non-Cash Items Included in Net Income							
Depreciation	124,295	115,385	1,782	0	0	0	126,077
Changes in Current Items							
Decrease (Increase) in Accounts Receivable	(15,412)	(52,160)	0	0	0		(15,412)
Decrease (Increase) in Due from Other Funds	0	(20,000)	0	0	0		0
Decrease (Increase) in Prepaid Items				1,078			0
GASB 68							
Decrease (Increase) Deferred Outflow of Resources-Contributions	(7,281)	3,765	477	6,565	0		
Decrease (Increase) Difference in projected and actual earnings	(26,557)	8,844	(985)	514	0		
Decrease (Increase) Difference in assumption changes				0			
Decrease (Increase) Difference in expected and actual experience	1,123	(1,700)	106	68	0		
Increase (Decrease) in Net pension Liability	15,394	(18,378)	402	(1,084)	0		
GASB 75							
Increase (Decrease) in OPEB Liability	1,370	2,026	(381)	120	0		
Decrease (Increase) Difference in assumption changes	724	(814)	46	(48)	0		
Decrease (Increase) Difference in projected and actual earnings	(901)		(24)		0		
Increase (Decrease) in Accounts Payable	(93,696)	108,070	787	(4,070)	0	(169)	(92,909)
Increase (Decrease) Compensated Absences	(156)	(375)	0	(115)	0		(156)
Increase (Decrease) Accrued Wages Payable	(3,177)	123	0	(907)	0		(3,177)
Decrease (Increase) in Due to Other Funds	(5,513)		0	0	(397)	0	(5,910)
Increase (Decrease) in Consumer Meter Deposits				(29,250)			
Net Cash Provided (Used) by Operating Activities	$7,329	$338,648	($52,421)	($42,275)	($192)	$180	($28,797)
Noncash Investing, Capital, and Financing Activities:							
Federal and State Grants	$0	$0	$0	$0	$0	$0	$0
Preceeds from Capital Debt							0
Total Noncash Investing, Capital, and Financing Activities	$0	$0	$0	$0	$0	$0	$0

Note: The above funds are all Enterprise Funds.

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town of Fulton, Texas (the Town) is an incorporated town along the southern Gulf Coast of Texas. It is governed by a six-member council elected by the registered voters of the Town. The combined financial statements of the Town have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Town was incorporated under the General Laws of Texas, Chapter 11, Title 28, of the Revised Civil Statutes of Texas, 1925 as amended. The mayor and alderman are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations.

The Town has no component units and is not included as a component unit in the financial statements of any other entity.

B. Government-Wide and Fund Financial Statements

The Town's Government-Wide Financial Statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. (The Town's deferred outflows of resources and deferred inflows of resources are noncurrent.) The statement of revenues, expenditures, and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property tax, sales tax, hotel/motel taxes, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

General Fund: This 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.

Police Fund: This fund accounts for the receipt and disbursement of proportioned property taxes collected by the Town for the Town's law enforcement.

Debt Service Fund: This fund accounts for resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Hotel/Motel Tax Fund: This fund accounts for the receipt and disbursement of occupancy taxes collected by the Town.

FEMA Grant fund: This fund is used to account for grant monies because of hurricane Harvey and will be used for various future building and rebuilding projects by the Town.

C. Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund and for the non-major funds aggregated. Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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 the Utility Fund (sewer, paws & taws, and pier rental) are charges to customers for sales and services. Operating expenses for enterprise 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. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Sewer Fund: This fund accounts for the activities of the Town's sewer system.

Paws and Taws Fund: This fund accounts for all activities of the Paws and Taws and for the building of the Convention Center.

Pier Fund: This fund had accounted for all activities related to pier rental but is now dormant.

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The government's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as fair value of the pool shares.

For purposes of the statement of cash flows, the Town considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and Payables

Activities 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 non-current portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2019, and 10 percent of delinquent outstanding property taxes at September 30, 2019. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the Town bills the taxpayers. The Town begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds are set aside in the general fund for future projects and are maintained in a separate bank account. There were no restricted assets at September 30, 2019.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than $2,000 (amount not rounded) and an estimated useful life more than two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at acquisition value. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation; but donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

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. The total interest expense incurred by the Town during the current fiscal year was $119,835. Of this amount, $-0- was included as part of the cost of capital assets. The Town also is building a new Convention Center in the Paws and Taws fund.

Property, plant, and equipment of the primary government, is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	10-40
Improvements other than Buildings	10-40
Infrastructure	20-50
Sewer System	20-50
Vehicles	5
Machinery, Equipment, and Office Furniture	5-10

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, governmental funds and proprietary financial statements.

7. 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, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

As of September 30, 2019, fund balances of the governmental funds are classified as follows:

Non-Spendable – amounts that cannot be spent either because they are in 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 constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Unassigned — all other spendable amounts.

As of September 30, 2019, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	$12,212
Restricted	
Construction	17,488
Debt Service	22,131
Economic Development	253,667
Public Facilities	37,903
Public Safety	221,307
Committed	
Public Safety	50,000
Unassigned	654,372
Total Fund Balance	$1,269,080

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2016, the Town Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be at least equal to 90 percent of the subsequent year's budgeted General Fund revenue.

9. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified to be consistent with the current year's presentation.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has only two items that qualify for reporting in this category. They are deferred under GASB 68 and GASB 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

The Town reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measureable" and "available" criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the Town and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

11. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes 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 long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this $2,455,967 difference are as follows:

Bonds Payable	$2,335,000
Notes Payable	35,081
Accrued Interest Payable	18,429
Net Pension Liability	51,678
GASB 75 Payable	7,682
Compensated Absences	8,097
	$2,455,967

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this $3,760,626 difference are as follows:

Capital assets not being depreciated	$295,000
Capital assets being depreciated	4,632,202
Depreciation expense	(1,166,576)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	$3,760,626

The governmental fund balance sheet includes 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 "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") The details of this $23,770 difference are as follows:

Property Taxes Receivable	$25,684
Allowance for Doubtful Accounts	(1,914)
Net	$23,770

The governmental fund balance sheet includes 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 "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") Other elements are GASB 68 and GASB 75. The details of this $46,831 difference are as follows:

Fines Receivable	$40,526
Allowance for Doubtful Accounts	(19,634)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/18)	15,064
Difference in projected and actual earnings	9,669
Difference in expected and actual experience	664
GASB 75	
Difference in expected and actual experience	493
Difference in Changes in assumptions and other inputs	49
Net	$46,831

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this ($54,494) difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	$0
Capital Outlay - Additions - Being Depreciated	81,157
Capital Outlay - Deletions	0
Depreciation Expense	(135,651)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	($54,494)

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major governmental funds except for the debt service fund, FEMA grant fund and the TWIA/TML account fund. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Town council. The legal level of budgetary control is the fund; whereby budgeted expenditures may not exceed budgeted revenues plus beginning unrestricted equity. The supplemental budgetary appropriations made in the general fund were not material.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2019, expenditures did not exceed appropriations in any funds except for the debt service fund whereby actual expenditures of $321,905 exceeded budgeted expenditures of $304,768 by $17,137 and the hotel-motel tax fund whereby actual expenditures of $171,389 exceeded budgeted expenditures of $149,200 by $22,189.

C. Deficit Fund Equity

There were no deficit fund balances for any fund at September 30, 2019 except for the police fund ($58,701) and the hotel/motel reserve fund ($20,000). These deficits are expected to be liquidated by future resources of the funds.

IV. Detailed Notes on All Funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments: The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Town to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That policy does address the following risks:

Deposits:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2019, the government's bank balance of $785,451 in the Town depository (Value Bank) was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent. The fair market value of the securities pledged is $575,000 and the FDIC coverage is $250,000. The Town also had $936,517 in 1st Community Bank. This amount was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent. The fair market value of the securities pledged is $2,854,179 and the FDIC coverage is $250,000. The book balance of the Town's bank balances at September 30, 2019 is $1,701,954.

Investments:

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool, through which political subdivisions and other entities may invest public funds.
TexPool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool has a credit rating of AAAm from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool invests in a high-quality portfolio of debt securities investments that are legally permissible for local governments in the state. All funds participate in a pooling of cash and investment income to maximize investment opportunities. Each fund may liquidate its equity in the pool on demand. The Town's investments are authorized by Town resolutions, bond ordinances, and State statutes. The Town is authorized to invest in obligations of the U.S. Government and its agencies or instrumentalities; direct obligations of Texas and its agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit; fully collateralized repurchase agreements; and government pools.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town's investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Town has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs). As of September 30, 2019, the Town had the following investments:

Investment Type	Fair Value	Maturity (Years)	Weighted Average
TexPool Funds	$ 317,080	Less than 1 year	Less than 1 year

Interest Rate Risk. In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Credit Risk. The Town's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The Town's investments were rated as follows: TexPool Funds AAAm.

Concentration of Credit Risk. The Town places no limit on the amount that may be invested in any one issuer. The Town's portfolio is 100 invested in an external investment pool.

B. Receivables

Receivables at year end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Police Fund	Debt Service Fund	Hotel/ Motel Tax Fund	FEMA Fund	Sewer Fund	Paws and Taws Fund	Total
Receivables								
Taxes								
Ad Valorem	$9,579		$16,105					$25,684
Hotel/Motel				89,049				89,049
Accounts	6,984					66,372	200	73,556
Fees	3,862							3,862
Fines	40,526	1,067						41,593
Intergovernmental					268,900			268,900
Other		2,408				1,200		3,608
Gross Receivables	60,951	3,475	16,105	89,049	268,900	67,572	200	506,252
Less: Allowance for Uncollectibles	20,348		1,200					21,548
Net Total Receivables	$40,603	$3,475	$14,905	$89,049	$268,900	$67,572	$200	$484,704

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	$295,000			$295,000
Construction in Progress	0			0
Total capital assets not being depreciated:	295,000	0	0	295,000
Capital assets being depreciated:				
Building and Improvements	252,792			252,792
Machinery, Equipment and Vehicles	230,721	61,053		291,774
Infrastructure	4,067,532	20,104		4,087,636
Total capital assets being depreciated:	4,551,045	81,157	0	4,632,202
Less: Accumulated Depreciation for:				
Building and Improvements	69,958	7,215		77,173
Machinery, Equipment and Vehicles	195,712	26,245		221,957
Infrastructure	765,255	102,191		867,446
Total Accumulated Depreciation	1,030,925	135,651	0	1,166,576
Total Capital Assets Depreciated, Net	3,520,120	(54,494)	0	3,465,626
Governmental Activities capital assets, Net	$3,815,120	($54,494)	$0	$3,760,626

Business-type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	$0			$0
Construction in Progress	38,391	1,516,662		1,555,053
Total capital assets not being depreciated:	38,391	1,516,662	0	1,555,053
Capital assets being depreciated:				
Building and Improvements	64,933	0	0	64,933
Machinery, Equipment and Vehicles	328,411	67,749	0	396,160
Infrastructure	2,763,680	48,350	0	2,812,030
Total capital assets being depreciated:	3,157,024	116,099	0	3,273,123
Less: Accumulated Depreciation for:				
Building and Improvements	23,871	2,737		26,608
Machinery, Equipment and Vehicles	174,568	53,039		227,607
Infrastructure	1,469,488	70,300		1,539,788
Total Accumulated Depreciation	1,667,927	126,076	0	1,794,003
Total Capital Assets Depreciated, Net	1,489,097	(9,977)	0	1,479,120
Business-type Activities capital assets, Net	$1,527,488	$1,506,685	$0	$3,034,173

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

Governmental Activities	
General Administration	$5,504
Public Safety	2,463
Public Transportation	112,245
Culture and Recreation	15,439
Total Depreciation Expense - Governmental Activities	$135,651
Business-Type Activities	
Sewer	$124,295
Paws and Taws	1,782
Pier	0
Total Depreciation Expense - Business-Type Activities	$126,077

Construction Commitments

The Town has also is building a new Convention Center in the Paws and Taws fund.

D. Interfund Receivables, Payables, and Transfers

Interfund balances as of September 30, 2019 are as follows:

	DUE FROM							
DUE TO	GENERAL FUND	POLICE FUND	HOTEL/ MOTEL FUND	OTHER GOVERN-MENTAL FUNDS	SEWER FUND	PAWS AND TAWS FUND	PIER FUND	TOTAL
GENERAL FUND		$64,015	$14,460		$89,288	$115,623	$7,789	$291,175
HOTEL/MOTEL FUND				20,000				20,000
SEWER FUND	59,138	5,000				15,000		79,138
TOTALS	$59,138	$69,015	$14,460	$20,000	$89,288	$130,623	$7,789	$390,313

The above interfund balances were for operating capital and are not expected to be repaid within one year.

Inter-fund transfers:

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

In the year ended September 30, 2019, the government made the following one-time transfers:

	TRANSFER TO			
TRANSFER FROM	POLICE FUND	PAWS AND TAWS FUND	SEWER FUND	TOTAL
GENERAL FUND	$20,000			$20,000
HOTEL/MOTEL FUND		30,000		30,000
HARVEY PREPARDNESS FUND			50,000	50,000
FEMA GRANT FUND		997,058		997,058
TWIA/TML ACCOUNT FUND		519,604		519,604
TOTALS	$20,000	$1,546,662	$50,000	$1,616,662

The above transfers were for operating capital.

E. Leases

Operating Leases

The government leases equipment under noncancellable operating leases. Total costs for such leases were $2,576 for the year ended September 30, 2019. The future minimum lease payments for these leases are as follows:

Year Ending Sept. 30	Amount
2019	$ 0
2020	0
2021	0
2022	0
2023	0
Total	$ 0

Rent expenditures were $18,000 for the year ended September 30, 2019. Sublease rental income was $0 for the year ended September 30, 2019. Rental income was $18,800 for the year ended September 30, 2019.

Commitments Under Non-Capitalized Leases:

The Town leases the property which held the Paws and Taws building from the Aransas County Navigation District. The Paws and Taws building was destroyed by Hurricane Harvey, A Convention Center is currently being constructed on the property.

The future minimum lease payments for this lease are as follows:

Fiscal year ended September 30, 2020	$ 24,000
Fiscal year ended September 30, 2021-2025	$162,000

F. Long-Term Debt

General Obligation Bonds and Revenue Bonds

The government issues Certificates of Obligation and General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. Certificates of Obligation and General Obligation bonds have been issued for governmental activities. The Certificates of Obligation bonds are direct obligations and pledge the full faith and credit of the government. The original amount of the Certificates of Obligation and General Obligation Bonds issued was $3,840,000.

Certificates of Obligation and General Obligation bonds currently outstanding are as follows:

Purpose	Rates	Amount
Governmental activities – Series 2006	5.77	$1,595,000
Governmental activities – Series 2016	2.65	$ 740,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	Governmental Activities	
September 30,	Principal	Interest
2020	$225,000	$105,972
2021	230,000	94,639
2022	240,000	82,790
2023	255,000	70,298
2024	260,000	57,305
2025-2029	985,000	99,278
2030-2031	140,000	3,710
TOTALS	$2,335,000	$513,992

The pledged security for the above bonds is as follows:

Governmental activities – Series 2006	Ad Valorem Taxes
Governmental activities – Series 2016	Ad Valorem Taxes

Capital Leases

The government has entered into a lease agreement as lessee for financing the acquisition of a JD tractor and mower. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of its inception date. The pledged security for the capital lease is the equipment financed.

ASSET	Governmental Activities JD Tractor and Mower	TOTAL
COST	$61,426	$61,426
ACCUMULATED DEPRECIATION	(24,570)	(24,570)
NET ASSET	$36,856	$36,856

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2019, were as follows:

YEAR	Business-type Activities Amount	Total Amount
2020	$13,530	$13,530
2021	2,255	2,255
Total Minimum Lease Payments	15,785	15,785
Less: Amount Representing Interest	387	387
Present Value of Net Minimum Lease Payments	$15,398	$15,398

Notes Payable

The Town has secured a note payable from FEMA in the form of a line of credit. The ceiling on the line of credit is $486,000. The call date for the note is September 23, 2023. The amount received through September 30, 2019 is $35,081.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
Governmental Activities:						
General Obligation Bonds	$2,540,000	$0	$205,000	$2,335,000	$225,000	$2,110,000
Total Bonds Payable	2,540,000	0	205,000	2,335,000	225,000	2,110,000
Notes Payable		35,081		35,081		35,081
Net Pension Payable	43,262	8,416		51,678		51,678
Net OPEB Payable	10,314	7,682	10,314	7,682		7,682
Compensated Absences	8,007	8,097	8,007	8,097	8,097	0
	2,601,583	59,276	223,321	2,437,538	233,097	2,204,441
Business-Type Activities:						
Capital Lease Purchases	28,036		12,638	15,398	13,153	2,245
Net Pension Payable	101,799	15,796		117,595		117,595
Net OPEB Payable	13,430	14,419	13,430	14,419		14,419
Compensated Absences	6,557	6,401	6,557	6,401	6,401	0
	149,822	36,616	32,625	153,813	19,554	134,259
Grand Total	$2,751,405	$95,892	$255,946	$2,591,351	$252,651	$2,338,700

The government-wide statement of net position includes $252,651 as "noncurrent liabilities, due within one year". There was no interest capitalized in the Capital assets but rather was expended in the financial statements. Note: Compensated absences are short term liabilities. The governmental bonds and notes payable are serviced by the Debt Service Fund, the capital leases are serviced by the Sewer Fund, and the compensated absences are serviced by the General Fund. The Business-type activities compensated absences are serviced by the Sewer Fund.

V. Other Information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and number of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claim's liability estimate.

Changes in the balances of claims liabilities during the past two years are as follows:

	Year ended 09/30/18	Year ended 09/30/19
Unpaid claims, beginning of fiscal year	$ -0-	$ -0-
Incurred claims (including IBNRs)		
Claim payments	-0-	-0-
Unpaid claims, end of fiscal year	$ -0-	$ -0-

General Liability Insurance

The Town is insured for general, law enforcement, and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The Town has joined with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The Town pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims more than $500,000 to $1,000,000 for each insurance event.

The Town anticipates no contingent losses except possibly the following: The Town of Fulton sustained severe wind and water damage because of Hurricane Harvey. At the time of the audit report, the extent of the cost of repairs and/or construction to Town property is unknown. The Town will provide adequate disclosure in a future audit report in accordance with Generally

Accepted Accounting Principles.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The Town carries commercial fidelity bonds for elected officials and for management.

Property and Casualty Insurance

Property, casualty, mobile equipment, boiler, and machinery insurance is provided by TML.

Workers' Compensation Insurance

The Town insures against workers' compensation claims through TML.

Group Health and Life Insurance

The Town maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The Town self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the Town for claims incurred plus administrative charges.

B. Subsequent Events

There are no subsequent events requiring disclosure.

C. Related Party Transactions

1. Rick McLester (Chief of Police) – Owns McLester Security which provides video surveillance for the Town. The fiscal year 2019 expenditures were $546.45. There were no amounts due to either party as of September 30, 2019.
2. Beverly Garis (Alderwoman Place #2) - Her son Chris owns Garis IT Consulting, LLC for IT Services The fiscal year 2019 expenditures $300.00; and is also a 50% owner of Reliant Data, LLC for Cloud Storage The fiscal year 2019 expenditures were $812.50.

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. There was no litigation at September 30, 2019.

E. Prior Period Adjustments

The Town has determined that certain transactions were recorded incorrectly in a prior year. The Town had a prior period adjustment whereby both governmental activities' Net Position and governmental funds Fund Balances were restated upward by $1,148 by reason of several miscellaneous immaterial adjustments.

The business-type activities' Net Position was restated upward by $13,368 by including a building in the Paws and Taws fund. The building has erroneously been taken off the prior year.

These restatements had the corresponding effect on the beginning Net Positions and Fund Balance as follows:

	Fund Balance, as Previously Reported	MISCELLANEOUS RESTATEMENT	Fund Balance As Restated
Governmental Funds:			
Fund Balance	$1,513,769	$1,148	$1,514,917
Total Governmental Funds	$1,513,769	$1,148	$1,514,917

	Net Position, as Previously Reported	MISCELLANEOUS RESTATEMENT	Net Position As Restated
Governmental Activities:			
Net Position	$2,749,187	$1,148	$2,750,335
Total Governmental Activities	$2,749,187	$1,148	$2,750,335

	Net Position, as Previously Reported	CAPITAL ASSET RESTATEMENT	Net Position As Restated
Business-Type Activities:			
Net Position	$1,502,225	$13,368	$1,515,593
Total Business-Type Activities	$1,502,225	$13,368	$1,515,593

F. Defined Benefit Pension Plans

EXECUTIVE SUMMARY
as of December 31, 2018

Actuarial Valuation and Measurement Date, December 31,	2018	2017
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	4	4
- Inactive employees entitled to but not yet receiving benefits	2	2
- Active employees	5	6
- Total	11	12
Covered Payroll	$211,582	$268,823
Net Pension Liability		
Total Pension Liability	$534,508	$501,407
Plan Fiduciary Net Position	365,237	356,349
Net Pension Liability/(Asset)	$169,271	$145,058
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.33%	71.07%
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	80.00%	53.96%
Development of the Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
Long-Term Municipal Bond Rate	3.71%	3.31%
Last year ending December 31 in the 100-year projection period for which projected benefit payments are fully funded	N/A	N/A

SCHEDULE OF PENSION EXPENSE

1.	Total Service Cost	$27,569
2.	Interest on the Total Pension Liability	33,739
3.	Changes in Current Period Benefits Including Substantively Automatic Status	0
4.	Employee Contributions (Reduction of Expense)	(12,695)
5.	Projected Earnings on Plan Investments (Reduction of Expense)	(24,054)
6.	Administrative Expense	206
7.	Other Changes in Fiduciary Net Position	11
8.	Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	586
9.	Recognition of Current Year Outflow (Inflow) of Resources-Assets	6,954
10.	Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	5,722
11.	Amortization of Prior Year Outflows (Inflows) of Resources-Assets	(1,537)
12.	Total Pension Expense (Income)	$36,501

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization year)	Total (Inflow) or Outflow of Resources	**2018 Recognized in current pension expense**	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.26	$2,495	$586	$1,909
Change in assumptions [actuarial (gains) or losses]	4.26	0	0	0
			$586	$1,909
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.00	$34,771	$6,954	$27,817
			$6,954	$27,817
Total:				$29,726

B. Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2019	$10,059
2020	4,851
2021	4,319
2022	7,106
2023	0
Thereafter	0
Total	$26,335

Note to Town:

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the Town will build this report over the next ID-year period. The data in this schedule is based on the Town's fiscal year-end, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the Town's Full Retirement Rate (excludes portion of rate for Supplemental Death Benefits Fund) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their T MRS-3 "Summary of Monthly Payroll Report"). The applicable months for the Town's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB 68 Employer Reporting Guide."

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$229,731	$169,271	$118,177

SUMMARY OF ACTUARIAL ASSUMPTIONS

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The postretirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization

I. Economic Assumptions

A. General Inflation — General Inflation is assumed to be 2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers,

2. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth — 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating town as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2005 to 2014, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

D. Individual Salary Increases —

Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	Rate (%)
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25+	3.50%

E. Annuity Increase - The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the Town of Fulton annual annuity increases of 0.00% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For Town of Fulton the base table is then multiplied by a factor of 80.0% based on the experience of the town in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 63%, 2) Police - 88%, or 3) Other - 108%. A sample of the base rates follows:

Males

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For Town of Fulton the base table is then multiplied by a factor of 80.0% based on the experience of the town in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire — 52%, 2) Police — 79%, or 3) Other — 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1 ½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the town, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled, the rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

G. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the town has a recurring COLA.

	Males Entry Age Groups			Females Entry Age Groups		
Age	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

Employer Match	Employee Contribution Rate		
	5%	6%	7%
1-1	0.75	0.80	0.84
1.5-1	0.81	0.86	0.92
2-1	0.86	0.93	1.00

Recurring COLA: 100%

No Recurring COLA: 90%

III. Methods and Assumptions

A. Valuation of Assets — The actuarial value of assets is based on the market value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 15% corridor around the market value of assets, if necessary,

B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current town. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

C. Amortization Policy: For "underfunded" cities with twenty or more employees, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. Beginning January 1, 2016, all new experience losses are amortized over individual periods of not more than 25 years. Previously, some cities amortized their losses over a 30-year period. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific Town which in turn decreases contribution rate volatility.

Once a Town reaches an "overfunded" status, all prior non-ad hoc bases are erased and the surplus for overfunded cities is amortized over a 25-year open period.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 15 years or the current life expectancy of the covered group.

For the December 31, 2013 actuarial valuation, there was a one-time change in the amortization policy for underfunded cities implemented in conjunction with the changes to the assumptions and cost method to minimize rate volatility associated with these changes. An initial ARC was developed using the methodology described above. For cities with a decrease in the rate compared to the rate calculated prior to changes, the amortization period for all non-ad hoc bases was shortened enough to keep the rates stable (if possible). Cities with an increase of more than 0.50% were allowed to extend the amortization periods for non-ad hoc bases up to 30 years to keep the full contribution rate from increasing. For cities with an increase of 0.50% or less, the amortization periods for all non-ad hoc bases could be extended to 25 years to keep the rate from increasing. The amortization period calculated in the prior steps was then rounded up to the nearest integer to calculate the final full contribution rate.

D. Small Town Methodology For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, 100% for employers with 11 to 15 members, and 115% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20-member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use (25-(20-8)) = 13-year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be 25-(20-1) = 6 years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

IV. Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): An exponential average of the actual salaries paid during the prior fiscal years, with 33% weight given to the most recent year and 67% weight given to the expected payroll for the previous fiscal year, moved forward with one year's payroll growth rate and adjusted for changes in population.

2. Individual salaries used to project benefits: For members with more than three years of service, actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This value is then projected with normal salary scales.

3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although T MRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month, A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing,

4. Percent married: 100% of the employees are assumed to be married.

5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

6. Optional Forms: Healthy members are assumed to choose a life only benefit when they retire. Disabled members are assumed to select a 50% Joint and Survivor option when they retire.

7. Percent electing annuity on death (when eligible): For vested members not eligible for retirement, 75% of the spouses of male members and 70% of the spouses of female members are assumed to commence an immediate benefit in lieu of a deferred annuity or a refund. Those not electing an immediate benefit are assumed to take a refund. All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity that commences immediately.

8. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.

9. Inactive Population: All non-vested members of a town are assumed to take an immediate refund if they are not contributing members in another town. Vested members not contributing in another town are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a town who are contributing members in another town are equal to the probability of termination multiplied by the forfeiture rates shown in Il(A) and "(B) respectively. These rates are applied each year until

retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).

10. There will be no recoveries once disabled.

11. No surviving spouse will remarry and there will be no children's benefit.

12. Decrement timing: Decrements of all types are assumed to occur mid-year.

13. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

14. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

15. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

16. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.

17. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current town and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a town changes its COLA provisions. Adjustments are made for members who have service both in a town with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date,

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Amortization Schedule
Deferred (Inflows)/Outflows of Resources

	Remaining Recognition Period (or amortization years)	Total remaining (Inflow) or Outflow of Resources	Measurement Year						
			2018	2019	2020	2021	2022	2023	Thereafter
Due to Liabilities:									
difference in experiences (inflows)/outflows									
2018	4.2600	$2,495	$586	$586	$586	$586	$151	$0	$0
2017	3.8100	4,376	1,148	1,148	1,148	932	0	0	0
2016	2.9700	1,011	340	340	331	0	0	0	0
2015	1.7100	1,329	778	551	0	0	0	0	0
2014	1.0246	205	200	5	0	0	0	0	0
Total		Total	$3,052	$2,630	$2,065	$1,518	$151	$0	$0
change in assumptions (inflows)/outflows									
2015	1.7100	$5,570	$3,256	$2,314	$0	$0	$0	$0	$0
		Total	$3,256	$2,314	$0	$0	$0	$0	$0
Due to Assets:									
excess investment returns (inflows)/outflows									
2018	5.0000	$34,771	$6,954	$6,954	$6,954	$6,954	$6,955	$0	$0
2017	4.0000	(16,609)	(4,152)	(4,152)	(4,152)	(4,153)	0	0	0
2016	3.0000	(44)	(14)	(14)	(16)	0	0	0	0
2015	2.0000	4,655	2,328	2,327	0	0	0	0	0
2014	1.0000	301	301	0	0	0	0	0	0
Total		Total	$5,417	$5,115	$2,786	$2,801	$6,955	$0	$0

G. GASB 75 Information

Actuarial and Financial Schedules

As of Measurement Date of December 31, 2018

Membership	2018
Number of	
-Inactive employees currently receiving benefits	4
-Inactive employees entitled to but not yet receiving benefits	1
-Active employees	5
-Total	10
Covered Payroll	$211,582
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	$23,743
Changes for the year	
Service cost	994
Interest on Total OPEB Liability	802
Changes of benefit term	0
Differences between expected and actual experience	(1,805)
Changes in assumptions or other inputs	(1,591)
Benefit payments	(42)
Net changes	(1,642)
Total OPEB Liability - end of year	$22,101
Total OPEB Liability as a Percentage of Covered Payroll	10.45%

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 10.50% including inflation
Discount rate*	3.71%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates – disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Note: The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease 2.71%	**Current Discount Rate 3.71%**	**1% Increase 4.71%**
Total OPEB liability	$26,372	$22,101	$18,727

OPEB Expense:	
Service cost	$994
Interest on total OPEB Liability	802
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(388)
Changes in assumptions or other inputs	75
Total OPEB expense	$1,483

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ (1,417)	$ 0
Changes in assumptions and other inputs	(142)	0
Contributions made subsequent to measurement date	N/A	NONE
Total (excluding contributions made subsequent to measurement date)	$ (1,559)	$ 0

Note: The Town shall include contributions made subsequent to the measurement date through the Town's fiscal year end as deferred outflows of resources.

Schedule of Outflows and Inflows - Current and future expense

	Recognition Period (or amortization years)	Total (Inflow) or Outflow of Resources	**2018 Recognized in current OPEB expense**	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.6500	($1,805)	($388)	($1,417)
Change in assumptions [actuarial (gains) or losses]	4.6500	(1,591)	(342)	($1,249)
Contributions made subsequent to measurement date		NONE	NONE	NONE
Total (excluding town provided contributions made subsequent to measurement date):				($2,666)

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense (excluding town-provided contributions made subsequent to the measurement date):

	Net deferred outflows (inflows) of resources
2019	($313)
2020	(313)
2021	(457)
2022	(476)
2023	0
Thereafter	0
	($1,559)

Amortization Schedule - Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (Inflow) or Outflow of Resources	2018	2019	2020	2021	2022	2023	Thereafter
difference in experience (inflows)/outflows									
2018	4.6500	($1,805)	($388)	($388)	($388)	($388)	($253)	$0	$0
		Total	($388)	($388)	($388)	($388)	($253)	$0	$0
change in assumptions (inflows)/outflows									
2018	4.6500	($1,591)	($342)	($342)	($342)	($342)	($223)	$0	$0
2017	3.6500	1,524	417	417	417	273	0	0	0
		Total	$75	$75	$75	($69)	($223)	$0	$0

Schedule of Contributions - (Retiree-only portion of the rate, for OPEB):

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2019	*0.27%*	*0.06%*
2018	*0.35%*	*0.02%*
2017	*0.35%*	*0.02%*

Note 1: Due to the SDBF being considered an unfunded OPEB plan, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note 2: In order to determine the retiree portion of the Town's Supplemental Death Benefit Plan contributions (that which is considered OPEB), the Town should perform the following calculation:

Total covered payroll * Retiree Portion of SDB Contribution (Rate)

Consideration should be given to the time period of contributions incurred (i.e., Town's fiscal year vs. calendar year) to ensure the proper contribution rate is utilized in the above calculation.

Actuarial Assumptions

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

I. Economic Assumptions

A. General Inflation – General Inflation is assumed to be 2.50% per year.

B. Discount Rates – Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

C. Individual Salary Increases – Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Years of Service	Rate (%)
1	10.50%
2	7.50%
3	7.00%
4	6.50%
5	6.00%
6	5.50%
7	5.25%
8-10	4.75%
11	4.50%
12-13	4.25%
14-16	4.00%
17-24	3.75%
25+	3.50%

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For Town of Fulton the base table is then multiplied by a factor of 80.0% based on the experience of the town in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 63%, 2) Police – 88%, or 3) Other – 108%. A sample of the base rates follows:

Males

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.2920	0.2623	0.2186	0.1932	0.1850	0.1673	0.1529	0.1243	0.1022	0.0816
25	0.2653	0.2269	0.1812	0.1554	0.1429	0.1267	0.1148	0.1006	0.0926	0.0757
30	0.2451	0.2052	0.1610	0.1322	0.1079	0.0998	0.0896	0.0774	0.0744	0.0621
35	0.2505	0.2070	0.1577	0.1265	0.1050	0.0994	0.0848	0.0719	0.0621	0.0567
40	0.2467	0.2060	0.1561	0.1213	0.1046	0.0943	0.0805	0.0710	0.0601	0.0577
45	0.2268	0.1934	0.1556	0.1220	0.1053	0.0926	0.0813	0.0711	0.0605	0.0575
50	0.2078	0.1731	0.1412	0.1149	0.1016	0.0887	0.0807	0.0716	0.0604	0.0578
55	0.2003	0.1668	0.1265	0.1074	0.0861	0.0864	0.0771	0.0682	0.0609	0.0560
60	0.1999	0.1542	0.1231	0.1060	0.0790	0.0868	0.0753	0.0683	0.0571	0.0549
65	0.2000	0.1463	0.1238	0.1063	0.0803	0.0867	0.0757	0.0700	0.0547	0.0551
70	0.2000	0.1477	0.1237	0.1063	0.0802	0.0867	0.0756	0.0697	0.0551	0.0551

Females

	Service									
Age	0	1	2	3	4	5	6	7	8	9
20	0.3030	0.2790	0.2221	0.2098	0.1997	0.2021	0.1536	0.1539	0.1564	0.1574
25	0.2782	0.2409	0.2067	0.1962	0.1710	0.1663	0.1369	0.1352	0.1186	0.1125
30	0.2574	0.2188	0.1949	0.1762	0.1347	0.1348	0.1276	0.1126	0.0973	0.0804
35	0.2424	0.2118	0.1805	0.1438	0.1273	0.1238	0.1112	0.1085	0.1000	0.0769
40	0.2244	0.1993	0.1614	0.1342	0.1295	0.1097	0.1023	0.0924	0.0834	0.0733
45	0.2191	0.1853	0.1427	0.1337	0.1054	0.1017	0.0894	0.0784	0.0705	0.0725
50	0.2201	0.1793	0.1347	0.1229	0.0886	0.0881	0.0823	0.0723	0.0675	0.0617
55	0.2200	0.1738	0.1350	0.1199	0.0834	0.0806	0.0713	0.0705	0.0685	0.0551
60	0.2200	0.1523	0.1350	0.1172	0.0798	0.0843	0.0646	0.0639	0.0429	0.0379
65	0.2200	0.1431	0.1350	0.1150	0.0800	0.0857	0.0667	0.0593	0.0276	0.0280
70	0.2200	0.1447	0.1350	0.1154	0.0800	0.0854	0.0664	0.0601	0.0303	0.0298

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For Town of Fulton the base table is then multiplied by a factor of 80.0% based on the experience of the town in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 52%, 2) Police – 79%, or 3) Other – 115%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.72%	2.20%
2	2.29%	2.97%
3	2.71%	3.54%
4	3.06%	4.01%
5	3.35%	4.41%
6	3.61%	4.77%
7	3.85%	5.10%
8	4.07%	5.40%
9	4.28%	5.68%
10	4.47%	5.94%
11	4.65%	6.19%
12	4.82%	6.43%
13	4.98%	6.66%
14	5.14%	6.87%
15	5.29%	7.08%

Termination rates end at first eligibility for retirement

B. Forfeiture Rates (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 4% is added to the rates for 1½-to-1 cities, and 8% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	41.2%
30	41.2%
35	41.2%
40	38.0%
45	32.6%
50	27.1%
55	21.7%

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the town, rates are multiplied by an additional factor of 97.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

E. Pre-Retirement Mortality

For calculating the OPEB liability and the contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

F. Disability Rates

Age	Males & Females
20	0.000004
25	0.000025
30	0.000099
35	0.000259
40	0.000494
45	0.000804
50	0.001188
55	0.001647
60	0.002180
65	0.002787

G. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For members under age 62, these base rates are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the town has a recurring COLA.

	Males			Females		
	Entry Age Groups			Entry Age Groups		
Age	Ages 32 & Under	Ages 33 – 47	Ages 48 & Over	Ages 32 & Under	Ages 33 – 47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

	Employee Contribution Rate		
Employer Match	5%	6%	7%
1 – 1	0.75	0.80	0.84
1.5 – 1	0.81	0.86	0.92
2 – 1	0.86	0.93	1.00

Recurring COLA: 100%
No Recurring COLA: 90%

III. Methods and Assumptions

A. Valuation of Assets – For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current town. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated.

C. Supplemental Death Benefit – The contribution rate for the Supplemental Death Benefit (SDB) is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members and is calculated separately for actives and retirees. Due to the significant reserve in the Supplemental Death Fund, the SDB rate for retiree coverage is currently only one-third of the total term cost.

IV. Other Assumptions

1. Inactive Population: All non-vested members of a town are assumed to take an immediate refund if they are not contributing members in another town. Vested members not contributing in another town are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a town who are contributing members in another town are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(G).

2. There will be no recoveries once disabled.

3. Decrement timing: Decrements of all types are assumed to occur mid-year.

4. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

5. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

6. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

7. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.

8. The decrement rates for service-related decrements are based on total TMRS eligibility service.

V. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current town and total vesting service and salary. For retired members, the data included date of birth, gender and date of retirement.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Adjustments are made for members who have service both in a town with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

Glossary of Terms

Actuarial Assumptions These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.

Actuarial Cost Method A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.

Actuarial Gain (Loss) The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.

Actuarial Present Value (APV) The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.

Actuarial Valuation The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.

Actuarially Determined Contribution (ADC) A calculated contribution into a defined benefit OPEB plan for the reporting period, most often determined based on the funding policy of the plan.

Covered Payroll The payroll of employees that are provided with OPEB.

Deferred Inflows and Outflows The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences or changes of assumptions. The portion of these amounts not included in OPEB expense should be included in the deferred inflows or outflows of resources.

Glossary of Terms

Discount Rate	The discount rate is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).
Entry Age Normal Actuarial Cost Method (EAN)	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the Actuarial Accrued Liability.
GASB	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
Other Postemployment Benefits (OPEB)	Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
Real Rate of Return	The rate of return on an investment after adjustment to eliminate inflation.
Service Costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Total OPEB Liability	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of this Statement.
Total OPEB Expense	The total OPEB expense is the sum of the following items: 1. Service Cost 2. Interest on the Total OPEB Liability 3. Current-Period Benefit Changes 4. Administrative Expense 5. Recognition of Outflow (Inflow) of Resources due to Liabilities

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS -CURRENT PERIOD

A. Total pension liability

	2018	2017	2016
1. Service Cost	$27,569	$35,323	$37,649
2. Interest (on the Total Pension Liability)	33,739	31,517	28,785
3. Changes of benefit terms	0	0	0
4. Difference between expected and actual experience	2,495	5,524	1,691
5. Changes of assumptions	0	0	0
6. Benefit payments, including refunds of employee contributions	(30,702)	(40,428)	(12,547)
7. Net change in total pension liability	$33,101	$31,936	$55,578
8. Total pension liability -- beginning	501,407	469,471	413,893
9. Total pension liability - ending	$534,508	$501,407	$469,471

B. Plan fiduciary net position

1. Contributions - employer	$37,831	$50,529	$48,952
2. Contributions - employee	12,695	16,129	16,795
3. Net investment income	(10,718)	40,336	15,052
4. Benefit payments, including refunds of employee contributions	(30,702)	(40,428)	(12,547)
5. Administrative Expense	(206)	(208)	(169)
6. Other	(11)	(11)	(9)
7. Net change in plan fiduciary net position	$8,888	$66,347	$68,074
8. Plan fiduciary net position - beginning	356,349	290,002	221,928
9. Plan fiduciary net position - ending*	$365,237	$356,349	$290,002
C. Net pension liability (A.9 - B.9)	$169,271	$145,058	$179,469
D. Plan fiduciary net position as a percentage of the total pension liability (B.9 / A.9)	68.33%	71.07%	61.77%
E. Covered-employee payroll (B.9 / A.9)	$211,582	$268,823	$279,919
F. Net pension liability as a percentage of covered employee payroll (C/E)	80.00%	53.96%	64.11%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018
Actuarially Determined Contribution	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Contributions in relation to the actuarially determined contribution	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Contribution deficiency (excess)	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Covered payroll	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Contributions as a percentage of covered payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes — Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	10 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB

Other Information:

Notes — There were no benefit changes during the year.

OPEB Retirement System Information:

OPEB Plans

Changes in the Total OPEB Liability

Changes for the year	2018	2017
1. Service Cost	$994	$1,129
2. Interest on Total OPEB Liability	802	775
3. Changes of benefit terms	0	0
4. Difference between expected and actual experience	(1,805)	0
5. Changes in assumptions or other inputs	(1,591)	1,941
6. Benefit payments	(42)	(54)
7. Net changes	(1,642)	3,791
Total OPEB Liability - beginning of year	$23,743	19,952
Total OPEB Liability - end of year	$22,101	$23,743

E. Covered-employee payroll (B.9 / A.9)	$211,582	$268,823
F. Total OPEB Liability as a Percentage of Covered Payroll	10.45%	8.83%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF FULTON, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	SPECIAL REVENUE						
	Community Disaster Loan	Hotel/ Motel Reserve Fund	Cert of Obligations Ser. 2016	Harvey Preparedness Grant	Hurricane Donations	TWIA/TML Account	Total
ASSETS							
Cash and Cash Equivalents	$100		$16,491	$221,307	$27,070	$6,100	$271,068
Total Assets	$100	$0	$16,491	$221,307	$27,070	$6,100	$271,068
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable						$5,203	5,203
Due to Other Funds		20,000					20,000
Total Liabilities	0	20,000	0	0	0	5,203	25,203
Fund Balances							
Restricted							
Construction	100		16,491			897	17,488
Economic Development					27,070		27,070
Public Safety				221,307			221,307
Unassigned		(20,000)					(20,000)
Total Fund Balances	100	(20,000)	16,491	221,307	27,070	897	245,865
TOTAL LIABILITIES AND FUND BALANCES	$100	$0	$16,491	$221,307	$27,070	$6,100	$271,068

The notes to the financial statements are an integral part of this statement.

TOWN OF FULTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	SPECIAL REVENUE						
	Community Disaster Loan	Hotel/ Motel Reserve Fund	Cert of Obligations Ser. 2016	Harvey Preparedness Grant	Hurricane Donations	TWIA/TML Account	Total
REVENUES							
Intergovernmental				$221,307			$221,307
Insurance Recovery						176	176
Miscellaneous					11,500	12,721	24,221
Total Revenues	0	0	0	221,307	11,500	12,897	245,704
EXPENDITURES							
Current:							
General Administration					2,800		2,800
Public Facilities						3,252	3,252
Total Expenditures	0	0	0	0	2,800	3,252	6,052
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	221,307	8,700	9,645	239,652
OTHER FINANCING SOURCES (USES):							
Notes Payable Proceeds	100						100
Operating Transfers Out				(50,000)		(519,604)	(569,604)
Total Other Financing Sources (Uses)	100	0	0	(50,000)	0	(519,604)	(569,504)
Net Changes in Fund Balances	100	0	0	171,307	8,700	(509,959)	(329,852)
Fund Balances - Beginning	0	(20,000)	16,491	50,000	18,370	510,856	575,717
Fund Balances - Ending	$100	($20,000)	$16,491	$221,307	$27,070	$897	$245,865

The notes to the financial statements are an integral part of this statement.

SINGLE AUDIT SECTION

FULTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDI-TURES
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Programs				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
FEMA DR 4332 - Paws & Taws Convention Center		Project #375 (Cat. E)	NONE	1,037,543
FEMA DR 4332 - Town of Fulton - Fishing Pier		Project #843 (Cat. G)	NONE	23,253
FEMA DR 4332 - Paws & Taws Marquee Sign		Project #5939 (Cat. E)	NONE	12,402
				1,073,198
Total U.S. Department of Homeland Security				1,073,198
TOTAL EXPENDITURES				$1,073,198

CFDA=CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER

See Accompanying Notes to Schedule of Federal Financial Assistance

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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 Town Council
Town of Fulton, Texas

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 the Town of Fulton, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Fulton, Texas's basic financial statements and have issued our report thereon dated September 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Fulton, Texas'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 Town of Fulton, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fulton, Texas'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2019-001 and 2019-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fulton, Texas'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.*

Town of Fulton, Texas's Response to Findings

Town of Fulton, Texas's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Fulton, Texas'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.

Beyer & Co.

BEYER & COMPANY
Certified Public Accountants
August 10, 2020

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and Town Council
Town of Fulton, Texas

Report on Compliance for Each Major Federal Program

We have audited the Town of Fulton, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Fulton, Texas' major federal programs for the year ended September 30, 2019. The Town of Fulton, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Fulton, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Fulton, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Fulton, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Fulton, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Other Matter

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance. Our opinion on each major federal program is not modified with respect to these matters.

The Town of Fulton, Texas' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Fulton, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Town of Fulton, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Fulton, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Fulton, Texas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Beyer & Co.

BEYER & COMPANY
Certified Public Accountants
August 10, 2020

TOWN OF FULTON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Town of Fulton, Texas under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Fulton, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Town of Fulton, Texas.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified 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 are limited as to reimbursement.

NOTE C-INDIRECT COST RATE

Town of Fulton, Texas has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

TOWN OF FULTON, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Federal

There were no prior audit findings for Federal Awards.

TOWN OF FULTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Section I Summary of Auditors Results

Financial Statements Section

1. The auditor's report expresses an unmodified opinion on the financial statements of the Town of Fulton, Texas.

2. There were two significant deficiencies disclosed during the audit. There were no material weaknesses disclosed during the audit.

Federal (or State) Awards Section

3. There were no instances of noncompliance material to the financial statements of the Town of Fulton, Texas, which would be required to be reported in accordance with Government Auditing Standards.

4. There was no significant deficiency over major Federal award programs disclosed during the audit. There was no material weakness over major Federal award programs disclosed during the audit.

5. The auditor's report on compliance for the major Federal award programs for Town of Fulton, Texas expresses an unmodified opinion on all major Federal programs.

6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.

7. The programs tested as major programs: Disaster Grants - Public Assistance (Presidentially Declared Disasters) - CFDA 97.036.

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. The Town of Fulton did not qualify as a low-risk auditee.

Section II-Financial Statement Findings

Material Weaknesses:

None

Significant Deficiencies:

2019-001 Segregation of Duties

Condition: **Segregation of Duties** - due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Criteria: Internal controls should be in place that provides reasonable assurance that to the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Effect: Because the Town does not have proper segregation of duties the possibility exists that the financial statements can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because it would be impracticable and expensive for the Town to have a proper segregation of duties.

Recommendation: We recommend that the Town look into the possibility of dividing up the accounting, bookkeeping/cash duties and/or to institute more oversight by management; to avoid the possibility of financial statements being materially misstated either through mistake, error, or fraud.

2018-002 Payroll

Condition: **Payroll** – we noted that Payroll is not separated properly by fund and all funds are not being reimbursed correctly.

Criteria: Payroll should be allocated and expenses to each department and fund in a correct and efficient manner.

Effect: Since the Town does not have proper internal controls in place that provide reasonable assurance that the payroll is allocated and expensed to each department and fund in a correct and efficient manner, the financial statements could be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because of payroll being paid from one fund.

Recommendation: The Town should install internal controls to provide reasonable assurance that the Payroll funds be separated by department and that each fund is reimbursed in full at the end of each payroll cycle; to avoid the possibility of the financial statements being materially misstated either through mistake, error, or fraud.

Town of Fulton

201 N. SEVENTH ST.
P.O. BOX 1130
FULTON, TEXAS 78358
361-729-5533

August 13, 2020

Beyer & Co.
Certified Public Accountants
442 West Oaklawn
P.O. Box 366,
Pleasanton, Texas 78064

RE: Response to FY 2018-19 Audit Findings

Dear Mr. Beyer:

In September of 2019, the Town began an initiative that focused on evaluation of all policies and procedures related to the Town's finances. Specifically, this initiative includes the evaluation of areas where the Town can improve accuracy and effectiveness of the Town's internal control procedures and the redesign those policies and procedures.

This effort is part of the Town's commitment to being good stewards of the public's money. The audit is beneficial to this effort and serves as a framework moving forward. The Town Council and staff are committed to improving the fiscal health and function of the Town.

Response to Audit Recommendations:

The Town responds to the recommendations as follows:

2019-001 Segregation of Duties

Recommendation: "We recommend that the Town look into the possibility of dividing up the accounting, bookkeeping/cash duties and/or to institute more oversight by management; to avoid the possibility of financial statements being materially misstated either through mistake, error, or fraud."

Response: *The Town agrees with this recommendation and was made aware of this comment in the prior year. The Town implemented internal control procedures effective October 1, 2019 to correct this issue.*

2018-002 Payroll

Recommendation: "The Town should install internal controls to provide reasonable assurance that the Payroll funds be separated by department and that each fund is reimbursed in full at the end of each payroll cycle; to avoid the possibility of the financial statements being materially misstated either through mistake, error, or fraud."

Response: *The Town agrees with this recommendation. As of July 31, 2020, payroll has been reimbursed in full and separated by the appropriate funds. Beginning August 1, 2020, the Town implemented new internal control procedures to assure that payroll is reimbursed from the appropriate fund each month.*

Sincerely,

Steven L. Robertson
Comptroller, Town of Fulton