

TOWN OF FULTON, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2021

TOWN OF FULTON, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

FINANCIAL SECTION

1. Independent Auditor's Report
3. Management's Discussion and Analysis

Basic Financial Statements:

Government-wide financial statements:

14. Statement of Net Position
15. Statement of Activities

Fund financial statements:

16. Balance Sheet - Governmental Funds
17. Reconciliation of the Government Funds
18. Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
19. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
20. Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund
21. Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Debt Service Fund
22. Statement of Net Position - Proprietary Funds
24. Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
25. Statement of Cash Flows - Proprietary Funds
27. Notes to the Financial Statements

Required Supplementary Information:

84. Employees Retirement System Information
86. OPEB System Information

Combining and Individual Fund Statements and Schedules:

87. Combining Balance Sheet - Non-major Governmental Funds
88. Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds

Single Audit Section:

89. Schedule of Expenditures of Federal Awards
90. 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
92. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by THE UNIFORM GUIDANCE
94. Notes to Schedule of Expenditures of Federal Awards and Schedule of Prior Audit Findings
94. Schedule of Findings and Questioned Costs
95. Town of Fulton, Texas's Response to Findings

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, 2021, and the related notes to the financial statements, which collectively comprise the Town of Fulton, Texas' 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Debt Service 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 3–13, 84-85, and 86 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 June 14, 2022, on our consideration of the Town of Fulton, Texas' 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' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Fulton, Texas' internal control over financial reporting and compliance.

BEYER & COMPANY
Certified Public Accountants
June 14, 2022

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, 2021.

Financial Highlights

- . The assets of the Town of Fulton, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$9,838,489 (net position). Of this amount, \$1,655,859 or 17% (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 \$2,144,792. This increase is due to Operating Grants and Contributions of \$115,045, Capital Grants and Contributions of \$1,880,883, and careful budget management.
- . The Town of Fulton, Texas' total restricted net position on September 30, 2021, is \$372,122 on September 30, 2021, or 4%.
- . The Town of Fulton, Texas' total debt decreased by \$339,440 (14 percent) during the current fiscal year. The key factor in this decrease is the payment of bond principle of \$230,000.
- . The Town of Fulton, Texas' total capital assets increased by \$726,842 (7 percent) during the current fiscal year. The key factor in this increase was the Fulton Fishing Pier Project.

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 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 14-15 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, debt service fund, the FEMA grant fund, and the hotel/motel tax fund which are major funds. Data from the other seven 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 and its debt service fund. A budgetary comparison statement has been provided for the general fund and the debt service fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-21 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 22-26 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 27-83 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 84-86 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 87-88 of this report.

The single audit section can be found on pages 89 -96.

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 \$9,838,489 at the close of the most recent fiscal year. Over half the portion of the Town of Fulton, Texas' net position (79 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	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$1,966,340	\$2,027,822	\$280,231	\$415,136	\$2,246,571	\$2,442,958
Capital Assets:	3,581,221	3,655,674	6,109,287	5,382,445	9,690,508	9,038,119
Total Assets	5,547,561	5,683,496	6,389,518	5,797,581	11,937,079	11,481,077
Total Deferred Outflows of Resources	29,207	21,251	42,967	45,324	72,174	66,575
Long-Term Liabilities	1,938,544	2,239,660	84,597	111,360	2,023,141	2,351,020
Other Liabilities (Payable From Restricted Assets)			13,600	7,000	13,600	7,000
Other Liabilities	86,088	1,178,261	42,085	292,019	128,173	1,470,280
Total Liabilities	2,024,632	3,417,921	140,282	410,379	2,164,914	3,828,300
Total Deferred Inflows of Resources	2,367	8,189	3,483	17,466	5,850	25,655
Invested in Capital Assets, Net of Related Debt	1,701,221	1,468,153	6,109,287	5,382,445	7,810,508	6,850,598
Restricted	372,122	197,312			372,122	197,312
Unrestricted	1,476,426	613,172	179,433	32,615	1,655,859	645,787
Total Net Position	\$3,549,769	\$2,278,637	\$6,288,720	\$5,415,060	\$9,838,489	\$7,693,697

An additional portion of the Town of Fulton, Texas' net position (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,655,859) 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.

There was a decrease of \$174,810 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 Fulton Fishing Pier Project. The government's total net position increased by \$2,144,792. This increase is due to Operating Grants and Contributions of \$115,045, Capital Grants and Contributions of \$1,880,883, and careful budget management.

Governmental Activities:

Governmental activities increased the Town of Fulton, Texas' net position by \$1,271,132. This increase is due to a decrease in transfers out of \$1,423,597.

**TOWN OF FULTON, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$34,606	\$4,134	\$684,455	\$609,668	\$719,061	\$613,802
Operating Grants and Contributions	115,045	435,617			115,045	435,617
Capital Grants and Contributions	1,880,883	1,987,333			1,880,883	1,987,333
General Revenues:						
Maintenance and Operations Taxes	528,285	511,874			528,285	511,874
Sales Taxes	260,395	213,871			260,395	213,871
Franchise Taxes	110,214	112,171			110,214	112,171
Hotel/Motel	396,341	250,407			396,341	250,407
Other Taxes	49,291	36,470			49,291	36,470
Licenses and Permits	48,636	30,350			48,636	30,350
Unrestricted Investment Earnings	36	3,021			36	3,021
Miscellaneous	31,336	26,617			31,336	26,617
Total Revenue	3,455,068	3,611,865	684,455	609,668	4,139,523	4,221,533
Expenses:						
General Administration	295,119	320,484			295,119	320,484
Public Facilities	168,564	521,035			168,564	521,035
Public Safety	276,453	269,569			276,453	269,569
Public Transportation	181,721	132,532			181,721	132,532
Culture and Recreation	73,163	105,336			73,163	105,336
Interest and Fiscal Charges	90,373	106,472			90,373	106,472
Sewer			567,244	627,603	567,244	627,603
Paws and Taws			277,469	203,024	277,469	203,024
Pier			64,625		64,625	0
Total Expenses	1,085,393	1,455,428	909,338	830,627	1,994,731	2,286,055
Increase in Net Position Before Special Items, and Transfers	2,369,675	2,156,437	(224,883)	(220,959)	2,144,792	2,144,792
Transfers	(1,098,543)	(2,522,140)	1,098,543	2,522,140	0	0
Insurance Recovery					0	0
Casualty Loss - Hurricane					0	0
Increase in Net Position	1,271,132	(365,703)	873,660	2,301,181	2,144,792	2,144,792
Net Position at 09/30/2020 - Restated	2,278,637	2,644,340	5,415,060	3,113,879	7,693,697	5,758,219
Net Position at 09/30/2021	\$3,549,769	\$2,278,637	\$6,288,720	\$5,415,060	\$9,838,489	\$7,693,697

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	\$295,119	\$25,000		\$88,835
Public Facilities	168,564			1,792,048
Public Safety	276,453	9,606	115,045	
Public Transportation	181,721			
Culture and Recreation	73,163			
Interest and Fiscal Charges	90,373			
Total Government Activities	<u>\$1,085,393</u>	<u>\$34,606</u>	<u>\$115,045</u>	<u>\$1,880,883</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$34,606	1%
Operating Grants and Contributions	115,045	3%
Capital Grants and Contributions	1,880,883	54%
Maintenance and Operations Taxes	528,285	15%
Sales Taxes	260,395	8%
Franchise Taxes	110,214	3%
Hotel/Motel	396,341	11%
Other Taxes	49,291	2%
Licenses and Permits	48,636	1%
Unrestricted Investment Earnings	36	0%
Miscellaneous	31,336	1%
	<u>\$3,455,068</u>	<u>100%</u>

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 \$873,660. This increase is due to transfers in of \$1,098,543 for the construction of the Fulton Fishing Pier Project.

Expenses and Program Revenues - Business-Type Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Business-Type Activities:				
Sewer	\$567,244	\$629,541		
Paws and Taws	277,469	54,909		
Pier	64,625	5		
Total Business-Type Activities	\$909,338	\$684,455	\$0	\$0

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$684,455	100%
Unrestricted Investment Earnings	0	0%
	\$684,455	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 \$1,852,837, an increase of \$1,021,993 in comparison with the prior year. Approximately 76 percent of this total amount \$1,417,001 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 \$823,514, while total fund balance reached \$887,128. 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 142 percent of total general fund expenditures, while total fund balance represents 153 percent of that same amount.

The fund balance of the Town of Fulton, Texas' general fund increased by \$26,778 during the current fiscal year. This increase is due to careful budget management.

The debt service fund has a total fund balance of \$4,877 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 2 percent of total expenditures.

The fund balance of the Town of Fulton, Texas' debt service fund decreased during the current year by \$3,018. This decrease is immaterial.

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

The Hotel/Motel Tax fund is a year to year discretionary 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 \$256,000, those for the paws and taws fund amounted to a negative \$143,348, and those for the pier fund amounted to \$66,781. The increase in net position for all the funds was \$873,660. 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:

The change between the original budget and the final amended budget in the general fund was an increase of \$7,000. This increase is immaterial.

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, 2021, amounts to \$9,690,508 (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 7 percent (a 2 percent decrease for governmental activities and a 14 percent increase for business-type activities). The key factor in this increase was the Fulton Fishing Pier Project.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Land	\$295,000	\$295,000	\$0	\$0	\$295,000	\$295,000
Construction in Progress	0	0	33,761	1,066,299	33,761	1,066,299
Building and Improvements	167,032	168,404	4,637,106	2,853,893	4,804,138	3,022,297
Machinery and Equipment	80,815	51,112	168,944	197,094	249,759	248,206
Infrastructure	3,038,374	3,141,158	1,269,476	1,265,159	4,307,850	4,406,317
Total	\$3,581,221	\$3,655,674	\$6,109,287	\$5,382,445	\$9,690,508	\$9,038,119

Additional information on the Town of Fulton, Texas' capital assets can be found in note IV.C on pages 43-44 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 \$1,880,000. Of this amount, \$1,880,000 comprises debt backed by the full faith and credit of the Town of Fulton, Texas.

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Due Within <u>One Year</u>	Due After <u>One Year</u>
<u>Governmental activities:</u>						
General Obligation Bonds	\$2,110,000		\$230,000	\$1,880,000	\$240,000	\$1,640,000
	<u>2,110,000</u>	<u>0</u>	<u>230,000</u>	<u>1,880,000</u>	<u>240,000</u>	<u>1,640,000</u>
Grand Total	<u>\$2,110,000</u>	<u>\$0</u>	<u>\$230,000</u>	<u>\$1,880,000</u>	<u>\$240,000</u>	<u>\$1,640,000</u>

The Town of Fulton, Texas' total bonded debt decreased by \$230,000 (11 percent) during the current fiscal year. The key factor in this decrease is the payment of bond principle of \$230,000.

Additional information on the Town of Fulton, Texas' long-term debt can be found in note IV F on pages 48-49 of this report.

Economic Factors

Budgetary considerations for the fiscal year 2022 will be based on the results of 2021.

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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$1,552,089	\$361,209	\$1,913,298
Receivables (Net of Allowance for Uncollectibles)	210,274	56,000	266,274
Due from Other Funds	187,889	(187,889)	0
Prepaid Items	16,088	50,911	66,999
Capital Assets Not Being Depreciated:			
Land	295,000		295,000
Construction in Progress		33,761	33,761
Total Capital Assets Being Depreciated, Net			
Infrastructure	3,038,374	1,269,476	4,307,850
Buildings	167,032	4,637,106	4,804,138
Machinery and Equipment	80,815	168,944	249,759
Total Assets	<u>\$5,547,561</u>	<u>\$6,389,518</u>	<u>\$11,937,079</u>
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Deferred Outflow of Resources-Contributions (after 12/31/20)	25,551	37,588	63,139
Difference in assumption changes	0	0	0
Difference in expected and actual experience	1,517	2,232	3,749
GASB 75			
Difference in expected and actual experience		0	0
Difference in Changes in assumptions and other inputs	2,139	3,147	5,286
Total Deferred Outflows of Resources	<u>29,207</u>	<u>42,967</u>	<u>72,174</u>
LIABILITIES:			
Accounts Payable	\$70,350	\$41,426	\$111,776
Accrued Wages Payable	1,076	659	1,735
Accrued Interest Payable	14,662		14,662
Consumer Meter Deposits		13,600	13,600
Noncurrent Liabilities:			
Due Within One Year	243,702	3,920	247,622
Due in More Than One Year	1,694,842	80,677	1,775,519
Total Liabilities	<u>2,024,632</u>	<u>140,282</u>	<u>2,164,914</u>
DEFERRED INFLOWS OF RESOURCES			
GASB 68			
Difference in projected and actual earnings	1,275	1,876	3,151
GASB 75			
Difference in expected and actual experience	1,092	1,607	2,699
Total Deferred Inflows of Resources	<u>2,367</u>	<u>3,483</u>	<u>5,850</u>
LIABILITIES:			
Net Position			
Invested in Capital Assets, Net of Related Debt	1,701,221	6,109,287	7,810,508
Restricted for:			
Administration	5,553		5,553
Debt Service	4,877		4,877
Economic Development	361,692		361,692
Unrestricted	1,476,426	179,433	1,655,859
Total Net Position	<u>\$3,549,769</u>	<u>\$6,288,720</u>	<u>\$9,838,489</u>

The accompanying notes are an integral part of this statement.

TOWN OF FULTON, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)	Net (Expense)	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Governmental Activities	Revenue and Changes in Business-Type Activities	
Primary Government							
Government Activities:							
General Administration	\$295,119	\$25,000		\$88,835	(\$181,284)		(\$181,284)
Public Facilities	168,564			1,792,048	1,623,484		1,623,484
Public Safety	276,453	9,606	115,045		(151,802)		(151,802)
Public Transportation	181,721				(181,721)		(181,721)
Culture and Recreation	73,163				(73,163)		(73,163)
Interest and Fiscal Charges	90,373				(90,373)		(90,373)
Total Government Activities	1,085,393	34,606	115,045	1,880,883	945,141	0	945,141
Business-Type Activities:							
Sewer	567,244	629,541		0		62,297	62,297
Paws and Taws	277,469	54,909				(222,560)	(222,560)
Pier	64,625	5				(64,620)	(64,620)
Total Business-Type Activities	909,338	684,455	0	0		(224,883)	(224,883)
Total Primary Government	\$1,994,731	\$719,061	\$115,045	\$1,880,883	945,141	(224,883)	720,258
General Revenues							
Property Taxes, Levies for General Purposes							
Taxes							
Property					528,285		528,285
Sales					260,395		260,395
Franchise					110,214		110,214
Hotel/Motel					396,341		396,341
Other Taxes					49,291		49,291
Licenses and Permits					48,636		48,636
Unrestricted Investment Earnings					36		36
Miscellaneous					31,336		31,336
Transfers					(1,098,543)	1,098,543	0
Total general revenues, special items and transfers					325,991	1,098,543	1,424,534
Change in Net Position					1,271,132	873,660	2,144,792
Net Position - Beginning - Restated					2,278,637	5,415,060	7,693,697
Net Position - Ending					\$3,549,769	\$6,288,720	\$9,838,489

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF FULTON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	FEMA Grant Fund	Hotel/ Motel/ Tax Fund	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>						
Cash and Cash Equivalents	\$592,630	\$4,877	\$702,667	\$222,108	\$29,807	\$1,552,089
Receivables (Net of Allowance for Uncollectibles)	36,990	15,958		138,352	3,000	194,300
Due from Other Funds	320,105			20,000		340,105
Prepaid Expenses	13,614			2,474		16,088
Total Assets	<u>\$963,339</u>	<u>\$20,835</u>	<u>\$702,667</u>	<u>\$382,934</u>	<u>\$32,807</u>	<u>\$2,102,582</u>
<i>LIABILITIES AND FUND BALANCES:</i>						
Accounts Payable	\$65,253			\$4,264	\$833	\$70,350
Accrued Wages	813				\$263	1,076
Due to Other Funds			9,777	16,978	125,461	152,216
Total Liabilities	<u>66,066</u>	<u>0</u>	<u>9,777</u>	<u>21,242</u>	<u>126,557</u>	<u>223,642</u>
<i>DEFERRED INFLOWS OF RESOURCES</i>						
Deferred Property Taxes	<u>10,145</u>	<u>15,958</u>				<u>26,103</u>
<i>Fund Balances:</i>						
Non-Spendable						
Prepaid Items	13,614					13,614
Restricted						
Administration					5,553	5,553
Debt Service		4,877				4,877
Economic Development				361,692		361,692
Committed						
Public Safety	50,000					50,000
Unassigned	823,514		692,890		(99,303)	1,417,101
Total Fund Balance	<u>887,128</u>	<u>4,877</u>	<u>692,890</u>	<u>361,692</u>	<u>(93,750)</u>	<u>1,852,837</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$963,339</u>	<u>\$20,835</u>	<u>\$702,667</u>	<u>\$382,934</u>	<u>\$32,807</u>	<u>\$2,102,582</u>

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, 2021

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	\$1,852,837
Capital assets used in governmental activities are not reported in the funds. Some expenses are not expensed in the current period but rather are deferred in the funds.	3,581,221
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	26,103
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	42,814
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,953,206)
Net Position of Governmental Activities - Statement of Net Position	<u>\$3,549,769</u>

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, 2021

	General Fund	Debt Service Fund	FEMA Grant Fund	Hotel/ Motel/ Tax Fund	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>						
Taxes						
Property	\$204,455	\$321,621				\$526,076
Sales	260,395					260,395
Franchise	110,214					110,214
Hotel/Motel				396,341	0	396,341
Other	49,291					49,291
Intergovernmental			1,792,048		115,045	1,907,093
Licenses and Permits	48,636					48,636
Charges for Services	25,000					25,000
Fines and Forfeitures					7,383	7,383
Interest	36					36
Miscellaneous	33,680				9	33,689
Total Revenues	731,707	321,621	1,792,048	396,341	122,437	3,364,154
<i>EXPENDITURES</i>						
Current:						
General Administration	290,953				3	290,956
Public Facilities	14,261		93,383		109,320	216,964
Public Safety	190,854				87,745	278,599
Public Transportation	74,736					74,736
Culture and Recreation	7,651			50,073	0	57,724
Debt Service						
Principal Retirement		230,000				230,000
Interest and Fiscal Charges		94,639				94,639
Total Expenditures	578,455	324,639	93,383	50,073	197,068	1,243,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	153,252	(3,018)	1,698,665	346,268	(74,631)	2,120,536
<i>OTHER FINANCING SOURCES (USES):</i>						
Operating Transfers In	540				80,328	80,868
Operating Transfers Out	(127,014)		(873,322)	(163,600)	(15,475)	(1,179,411)
Total Other Financing Sources (Uses)	(126,474)	0	(873,322)	(163,600)	64,853	(1,098,543)
Net Changes in Fund Balances	26,778	(3,018)	825,343	182,668	(9,778)	1,021,993
Fund Balances - Beginning	860,350	7,895	(132,453)	179,024	(83,972)	830,844
Fund Balances - Ending	\$887,128	\$4,877	\$692,890	\$361,692	(\$93,750)	\$1,852,837

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, 2021

Net Changes in Fund Balances - Total Governmental Funds	\$1,021,993
Amounts reported for governmental activities in the statement of net position ("SNP") 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.	(74,453)
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.	2,223
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	2,209
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	9,507
Difference in projected and actual earnings. This is the change in these amounts this year.	6,914
Difference in expected and actual experience. This is the change in these amounts this year.	(1,505)
Difference in assumption changes. This is the change in these amounts this year.	(244)
(Increase) decrease in net pension liability from beginning of period to end of period.	(1,570)
GASB 75	
Difference in expected and actual experience. This is the change in these amounts this year.	(1,454)
Difference in assumption changes. This is the change in these amounts this year.	560
(Increase) decrease in OPEB liability from beginning of period to end of period.	(3,413)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	318,835
(Increase) decrease in accrued interest payable from beginning of period to end of period.	4,266
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(1,422)
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(11,314)
(Decrease) increase in prepaid items from beginning of period to end of period.	
Change in Net Position of Governmental Activities - Statement of Activities	<u><u>\$1,271,132</u></u>

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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Property	\$161,154	\$161,154	\$204,455	\$43,301
Sales	185,300	250,000	260,395	10,395
Franchise	102,500	102,500	110,214	7,714
Other	33,500	33,500	49,291	15,791
Licenses and Permits	30,960	30,960	48,636	17,676
Charges for Services	25,000	25,000	25,000	0
Interest	2,500	2,500	36	(2,464)
Miscellaneous	26,000	26,000	33,680	7,680
Total Revenues	566,914	631,614	731,707	100,093
<i>EXPENDITURES</i>				
Current:				
General Administration				
Administration	281,163	288,163	290,953	(2,790)
Public Facilities				
Public Works	2,000	17,000	14,261	2,739
Public Safety				
EMS	45,000	45,000	45,000	0
Fire Department	10,000	10,000	18,537	(8,537)
Juvenile	4,000	4,000	5,497	(1,497)
Animal Control	27,000	27,000	33,000	(6,000)
Police	85,000	85,000	88,820	(3,820)
Public Transportation				
Streets	104,500	89,500	74,736	14,764
Culture and Recreation				
Parks and Recreation	8,250	8,250	7,651	599
Total Expenditures	566,913	573,913	578,455	(4,542)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1	57,701	153,252	95,551
<i>OTHER FINANCING SOURCES (USES):</i>				
Operating Transfers In/Out		(58,000)	(126,474)	(68,474)
Total Other Financing Sources (Uses)	0	(58,000)	(126,474)	(68,474)
Net Changes in Fund Balances	1	(299)	26,778	27,077
Fund Balances - Beginning	860,350	860,350	860,350	
Fund Balances - Ending	\$860,351	\$860,051	\$887,128	\$27,077

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>REVENUES</i>				
Taxes				
Property	\$324,639	\$324,639	\$321,621	(\$3,018)
Total Revenues	<u>324,639</u>	<u>324,639</u>	<u>321,621</u>	<u>(3,018)</u>
<i>EXPENDITURES</i>				
Current:				
Debt Service				
Principal Retirement	230,000	230,000	230,000	0
Interest and Fiscal Charges	<u>94,639</u>	<u>94,639</u>	<u>94,639</u>	<u>0</u>
Total Expenditures	<u>324,639</u>	<u>324,639</u>	<u>324,639</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	(3,018)	(3,018)
<i>OTHER FINANCING SOURCES (USES):</i>				
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	0	0	(3,018)	(3,018)
Fund Balances - Beginning	<u>7,895</u>	<u>7,895</u>	<u>7,895</u>	
Fund Balances - Ending	<u>\$7,895</u>	<u>\$7,895</u>	<u>\$4,877</u>	<u>(\$3,018)</u>

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, 2021

	Business-Type Activities						Totals
	Enterprise Funds						
	Sewer Current Year	Sewer Prior Year	Paws and Taws Current Year	Paws and Taws Prior Year	Pier Current Year	Pier Prior Year	
ASSETS							
Current Assets							
Cash and Cash Equivalents	\$285,466	\$285,450	\$15,268	\$17,863	\$60,475	\$33,555	\$361,209
Accounts Receivables (Net of Allowance for Uncollectibles)	55,800	57,968	200	200			56,000
Prepaid Expenses			32,827	0	18,084		50,911
Due from Other Funds	20,285	20,100					20,285
Total Current Assets	361,551	363,518	48,295	18,063	78,559	33,555	488,405
Noncurrent Assets							
Capital Assets							
Construction in Progress		0		0	1,939,621	1,066,299	1,939,621
Infrastructure	2,955,062	2,876,869					2,955,062
Buildings	38,200	38,200	2,917,303	2,917,303			2,955,503
Machinery and Equipment	416,522	421,521	106,774	80,057			523,296
Total Capital Assets	3,409,784	3,336,590	3,024,077	2,997,360	1,939,621	1,066,299	8,373,482
Less Accumulated Depreciation	(2,013,186)	(1,909,842)	(203,363)	(107,962)	(47,646)		(2,264,195)
Total Capital Assets (Net of Accumulated Depreciation)	1,396,598	1,426,748	2,820,714	2,889,398	1,891,975	1,066,299	6,109,287
Total Noncurrent Assets	1,396,598	1,426,748	2,820,714	2,889,398	1,891,975	1,066,299	6,109,287
DEFERRED OUTFLOWS OF RESOURCES							
GASB 68							
Deferred Outflow of Resources-Contributions (after 12/31/19)		32,336		1,883			0
Deferred Outflow of Resources-Contributions (after 12/31/20)	31,760		5,828				37,588
Difference in expected and actual experience	1,886	6,090	346	355			2,232
Difference in assumption changes		492		29			0
Difference in projected and actual earnings							0
GASB 75							
Difference in expected and actual experience		730		42			0
Difference in Changes in assumptions and other inputs	2,659	3,182	488	185			3,147
Total Deferred Outflow of Resources	36,305	42,830	6,662	2,494	0	0	42,967
TOTAL ASSETS	\$1,794,454	\$1,833,096	\$2,875,671	\$2,909,955	\$1,970,534	\$1,099,854	\$6,640,659

(continued)

(continued)

	Business-Type Activities Enterprise Funds						
	Sewer	Sewer	Paws	Paws	Pier	Pier	Totals
	Current	Prior	Current	Prior	Current	Prior	Current
	Year	Year	Year	Year	Year	Year	Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS							
Liabilities							
Current Liabilities (Payable from Current Assets)							
Accounts Payable	\$17,735	\$63,837	\$22,556	\$3,505	\$1,135	\$11	\$41,426
Compensated Absences	3,920	6,383		577			3,920
Accrued Wages Payable	489		170				659
Due to Other Funds	48,601	52,213	148,930	155,459	10,643	7,789	208,174
Capital Lease Payable - Current		2,245					0
Total Current Liabilities (Payable from Current Assets)	<u>70,745</u>	<u>124,678</u>	<u>171,656</u>	<u>159,541</u>	<u>11,778</u>	<u>7,800</u>	<u>254,179</u>
Current Liabilities (Payable from Restricted Assets)							
Consumer Meter Deposits			13,600	7,000			13,600
Total Current Liabilities							
Payable from Restricted Assets	<u>0</u>	<u>0</u>	<u>13,600</u>	<u>7,000</u>	<u>0</u>	<u>0</u>	<u>13,600</u>
Total Current Liabilities	<u>70,745</u>	<u>124,678</u>	<u>185,256</u>	<u>166,541</u>	<u>11,778</u>	<u>7,800</u>	<u>267,779</u>
Noncurrent Liabilities							
Capital Lease Payable		0					0
Net Pension Liability	52,109	86,072	9,562	5,011			61,671
Net OPEB Liability	16,059	19,161	2,947	1,116			19,006
Total Noncurrent Liabilities	<u>68,168</u>	<u>105,233</u>	<u>12,509</u>	<u>6,127</u>	<u>0</u>	<u>0</u>	<u>80,677</u>
Total Liabilities	<u>138,913</u>	<u>229,911</u>	<u>197,765</u>	<u>172,668</u>	<u>11,778</u>	<u>7,800</u>	<u>348,456</u>
DEFERRED INFLOWS OF RESOURCES							
GASB 68							
Difference in projected and actual earnings	1,585	16,505	291	961			1,876
GASB 75							
Difference in expected and actual experience	1,358		249				1,607
Total Deferred Inflow of Resources	<u>2,943</u>	<u>16,505</u>	<u>540</u>	<u>961</u>	<u>0</u>	<u>0</u>	<u>3,483</u>
Invested in Capital Assets, Net of Related Debt	1,396,598	1,426,748	2,820,714	2,889,398	1,891,975	1,066,299	6,109,287
Unrestricted	256,000	159,932	(143,348)	(153,072)	66,781	25,755	179,433
Total Net Position	<u>\$1,652,598</u>	<u>\$1,586,680</u>	<u>\$2,677,366</u>	<u>\$2,736,326</u>	<u>\$1,958,756</u>	<u>\$1,092,054</u>	<u>\$6,288,720</u>

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, 2021

Business-Type Activities
Enterprise Funds

	Sewer	Sewer	Paws	Paws	Pier	Pier	Totals
	Current Year	Prior Year	and Taws Current Year	and Taws Prior Year	Current Year	Prior Year	Current Year
OPERATING REVENUES:							
Charges for Services	\$629,541	\$602,264	\$48,490	\$7,600			\$678,031
Miscellaneous			6,419	192	5		6,424
Total Operating Revenues	629,541	602,264	54,909	7,792	5	0	684,455
OPERATING EXPENSES:							
Personal Services	160,813	199,871	51,155	25,971			211,968
Supplies	8,610	13,756	5,611	2,748			14,221
Other Services and Charges	289,477	282,988	125,302	84,247	16,979		431,758
Depreciation	108,344	130,988	95,401	90,058	47,646		251,391
Total Operating Expenses	567,244	627,603	277,469	203,024	64,625	0	909,338
Operating Income (Loss)	62,297	(25,339)	(222,560)	(195,232)	(64,620)	0	(224,883)
NON-OPERATING REVENUES (EXPENSES):							
Interest Income							0
Interest and Fiscal Charges		(388)					0
Federal and State Grants							0
Total Non-Operating Revenues (Expenses)	0	(388)	0	0	0	0	0
Income Before Transfers	62,297	(25,727)	(222,560)	(195,232)	(64,620)	0	(224,883)
Transfers In (Out) - Net	3,621		163,600	1,481,678	931,322	1,040,462	1,098,543
Change in Net Position	65,918	(25,727)	(58,960)	1,286,446	866,702	1,040,462	873,660
Total Net Position - Beginning - Restated	1,586,680	1,612,407	2,736,326	1,449,880	1,092,054	51,592	5,415,060
Total Net Position - Ending	\$1,652,598	\$1,586,680	\$2,677,366	\$2,736,326	\$1,958,756	\$1,092,054	\$6,288,720

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, 2021

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	\$631,524	\$611,768	\$61,509	\$14,792	\$5	\$0	\$686,438
Payments to Suppliers	(347,801)	(231,379)	(151,218)	(59,691)	(31,085)	0	(530,104)
Payments to Employees	(206,889)	(196,488)	(49,769)	(26,268)	0	0	(257,179)
Net Cash Provided (Used) by Operating Activities	76,834	183,901	(139,478)	(71,167)	(31,080)	0	(100,845)
Cash Flows from Non-Capital and Related Financing Activities							
Federal Grants and Contributions	0	0	0	0			0
Transfers In/Out	3,621	0	163,600	1,481,678	931,322	1,040,462	1,098,543
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	3,621	0	163,600	1,481,678	931,322	1,040,462	1,098,543
Cash Flows from Capital and Related Financing Activities							
Purchases of Capital Assets	(78,194)	(90,201)	(26,717)	(1,401,794)	(873,322)	(1,040,462)	(978,233)
Principal Payment on Revenue Bonds, Notes and Capital Leases	(2,245)	(13,153)	0				(2,245)
Interest and Fiscal Charges	0	(388)	0				0
Net Cash Provided (Used) by Capital and Related Financing Activities	(80,439)	(103,742)	(26,717)	(1,401,794)	(873,322)	(1,040,462)	(980,478)
Cash Flows from Investing Activities							
Interest Received	0	0	0	0	0	0	0
Net Cash Provided (Used) by Investment Activities	0	0	0	0	0	0	0
Net Increase (Decrease) in Cash Equivalents	16	80,159	(2,595)	8,717	26,920	0	24,341
Cash and Cash Equivalents at Beginning of Year	285,450	205,291	17,863	9,146	33,555	33,555	336,868
Cash and Cash Equivalents at End of Year	\$285,466	\$285,450	\$15,268	\$17,863	\$60,475	\$33,555	\$361,209

(continued)

(continued)

Business-Type Activities
Enterprise Funds

	Sewer	Sewer	Paws	Paws	Pier	Pier	Totals
	Current	Prior	and Taws	and Taws	Pier	Pier	Totals
	Year	Year	Current	Prior	Current	Prior	Current
	Year	Year	Year	Year	Year	Year	Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$62,297	(\$25,339)	(\$222,560)	(\$195,232)	(\$64,620)	\$0	(224,883)
Adjustments to Reconcile to Net Cash Flow							
Non-Cash Items Included in Net Income							
Depreciation	108,344	130,988	95,401	90,058	47,646	0	251,391
Changes in Current Items							
Decrease (Increase) in Accounts Receivable	2,168	9,604	0	0	0	0	2,168
Decrease (Increase) in Due from Other Funds	(185)	(100)	0	0	0	0	(185)
Decrease (Increase) in Prepaid Items			(32,827)		(18,084)		(50,911)
GASB 68							
Decrease (Increase) Deferred Outflow of Resources-Contributions	576	(4,783)	(3,945)	(1,164)	0	0	(3,369)
Decrease (Increase) Difference in projected and actual earnings	(14,920)	(4,876)	(670)	(323)	0	0	(15,590)
Decrease (Increase) Difference in assumption changes	492	(492)	29	(29)	0	0	
Decrease (Increase) Difference in expected and actual experience	4,204	34,191	9	1,423	0	0	4,213
Increase (Decrease) in Net pension Liability	(33,963)	(22,827)	4,551	(1,329)	0	0	(29,412)
GASB 75							
Increase (Decrease) in OPEB Liability	(3,102)	5,109	1,831	749	0	0	(1,271)
Decrease (Increase) Difference in assumption changes	523	(3,092)	(303)	(183)	0	0	220
Decrease (Increase) Difference in expected and actual experience	2,088	171	291	(18)	0	0	2,379
Increase (Decrease) in Accounts Payable	(46,102)	43,302	19,051	2,468	1,124	0	(25,927)
Increase (Decrease) Compensated Absences	(2,463)	(18)	(577)	577	0	0	(3,040)
Increase (Decrease) Accrued Wages Payable	489	0	170	0	0	0	659
Decrease (Increase) in Due to Other Funds	(3,612)	22,063	(6,529)	24,836	2,854	0	(7,287)
Increase (Decrease) in Consumer Meter Deposits			6,600	7,000			
Net Cash Provided (Used) by Operating Activities	\$76,834	\$183,901	(\$139,478)	(\$71,167)	(\$31,080)	\$0	(\$100,845)

Noncash Investing, Capital, and Financing Activities: None

Note: The above funds are all Enterprise Funds.

Town of Fulton, Texas
Notes to the Financial Statements
September 30, 2021

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.

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

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.

Hotel/Motel Tax fund: This fund is used to account for occupancy tax monies used to further the City's area culture and recreation.

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.

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, 2021, and 10 percent of delinquent outstanding property taxes at September 30, 2021. 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, 2021.

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 \$106,860. The Town is currently building the Fulton Fishing Pier Project.

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

<u>Assets</u>	<u>Years</u>
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, 2021, 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, 2021, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	\$13,614
Restricted	
Administration	5,553
Debt Service	4,877
Economic Development	361,692
Committed	
Public Safety	50,000
Unassigned	<u>1,417,101</u>
Total Fund Balance	<u>\$1,852,837</u>

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 only one item that qualifies for reporting in this category. It is deferred under GASB 68.

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 \$1,953,206 difference are as follows:

Bonds Payable	\$1,880,000
Notes Payable	
Accrued Interest Payable	14,662
Net Pension Liability	41,922
GASB 75 Payable	12,920
Compensated Absences	<u>3,702</u>
	<u>\$1,953,206</u>

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 \$3,581,221 difference are as follows:

Capital assets not being depreciated	\$295,000
Capital assets being depreciated	4,649,409
Depreciation expense	(1,363,188)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$3,581,221</u>

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 \$26,103 difference are as follows:

Property Taxes Receivable	\$27,845
Allowance for Doubtful Accounts	<u>(1,742)</u>
Net	<u><u>\$26,103</u></u>

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 \$42,814 difference are as follows:

Fines Receivable	\$32,904
Allowance for Doubtful Accounts	(16,930)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/20)	25,551
Difference in projected and actual earnings	(1,275)
Difference in expected and actual experience	1,517
GASB 75	
Difference in expected and actual experience	(1,092)
Difference in Changes in assumptions and other inputs	<u>2,139</u>
Net	<u><u>\$42,814</u></u>

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 (\$74,453) difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	66,873
Capital Outlay - Deletions	0
Depreciation Expense	(141,326)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>(\$74,453)</u></u>

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 FEMA grant fund and the Hotel/Motel Tax 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, 2021, expenditures did not exceed appropriations in any funds except or the General fund where actual expenditures of \$578,445 exceeded budgeted expenditures of \$573,913 by \$4,542.

C. Deficit Fund Equity

There were no deficit fund balances for any fund at September 30, 2021 except for the police fund (\$79,303) 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, 2021, the government's bank balance of \$51 in (Value Bank) was not exposed to custodial credit risk because it was fully insured. The Town also had \$1,648,819 in the Town depository 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 \$2,793,572 and the FDIC coverage is \$250,000. The book balance of the Town's bank balances at September 30, 2021 is \$1,593,313.

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, 2021, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
TexPool Funds	\$ 319,985	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	Debt Service Fund	Hotel/Motel Tax Fund	Other Governmental Funds	Sewer Fund	Paws and Taws Fund	Total
<u>Receivables</u>							
Taxes							
Ad Valorem	\$10,822	\$17,023					\$27,845
Hotel/Motel			138,352				138,352
Accounts	22,492				55,800	200	78,492
Fees	3,861						3,861
Fines	32,904			1,067			33,971
Intergovernmental							0
Other	492			1,933			2,425
Gross Receivables	70,571	17,023	138,352	3,000	55,800	200	284,946
Less: Allowance for Uncollectibles	17,607	1,065					18,672
Net Total Receivables	\$52,964	\$15,958	\$138,352	\$3,000	\$55,800	\$200	\$266,274

The receivables are expected to be collected within one year.

C. Capital Assets

Capital asset activity for the year ended September 30, 2021, 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:	<u>295,000</u>	<u>0</u>	<u>0</u>	<u>295,000</u>
Capital assets being depreciated:				
Building and Improvements	252,792	6,450		259,242
Machinery, Equipment and Vehicles	273,267	60,423	54,912	278,778
Infrastructure	4,111,389			4,111,389
Total capital assets being depreciated:	<u>4,637,448</u>	<u>66,873</u>	<u>54,912</u>	<u>4,649,409</u>
Less: Accumulated Depreciation for:				
Building and Improvements	84,388	7,822		92,210
Machinery, Equipment and Vehicles	222,155	30,720	54,912	197,963
Infrastructure	970,231	102,784		1,073,015
Total Accumulated Depreciation	<u>1,276,774</u>	<u>141,326</u>	<u>54,912</u>	<u>1,363,188</u>
Total Capital Assets Depreciated, Net	<u>3,360,674</u>	<u>(74,453)</u>	<u>0</u>	<u>3,286,221</u>
Governmental Activities capital assets, Net	<u>\$3,655,674</u>	<u>(\$74,453)</u>	<u>\$0</u>	<u>\$3,581,221</u>
Business-type Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$0			\$0
Construction In Progress	1,066,299	873,322	1,905,860	33,761
Total capital assets not being depreciated:	<u>1,066,299</u>	<u>873,322</u>	<u>1,905,860</u>	<u>33,761</u>
Capital assets being depreciated:				
Building and Improvements	2,955,503	1,905,860	0	4,861,363
Machinery, Equipment and Vehicles	501,579	26,717	5,000	523,296
Infrastructure	2,876,869	78,194	0	2,955,063
Total capital assets being depreciated:	<u>6,333,951</u>	<u>2,010,771</u>	<u>5,000</u>	<u>8,339,722</u>
Less: Accumulated Depreciation for:				
Building and Improvements	101,610	122,647	0	224,257
Machinery, Equipment and Vehicles	304,485	54,867	5,000	354,352
Infrastructure	1,611,710	73,877	0	1,685,587
Total Accumulated Depreciation	<u>2,017,805</u>	<u>251,391</u>	<u>5,000</u>	<u>2,264,196</u>
Total Capital Assets Depreciated, Net	<u>4,316,146</u>	<u>1,759,380</u>	<u>0</u>	<u>6,075,526</u>
Business-type Activities capital assets, Net	<u>\$5,382,445</u>	<u>\$2,632,702</u>	<u>\$1,905,860</u>	<u>\$6,109,287</u>

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

Governmental Activities	
General Administration	\$16,938
Public Safety	1,963
Public Transportation	106,986
Culture and Recreation	<u>15,439</u>
Total Depreciation Expense - Governmental Activities	<u>\$141,326</u>
Business-Type Activities	
Sewer	\$108,344
Paws and Taws	95,401
Pier	<u>47,646</u>
Total Depreciation Expense - Business-Type Activities	<u>\$251,391</u>

Construction Commitments

The Town is currently building the Fulton Fishing Pier Project.

D. Interfund Receivables, Payables, and Transfers

Interfund balances as of September 30, 2021, are as follows:

DUE TO	DUE FROM					TOTAL
	HOTEL/ MOTEL TAX FUND	OTHER GOVERN- MENTAL FUNDS	SEWER FUND	PAWS AND TAWNS FUND	PIER FUND	
GENERAL FUND	\$16,978	\$110,138	\$48,601	\$133,745	\$10,643	\$320,105
HOTEL/MOTEL TAX FUND		20,000				20,000
TOTALS	\$16,978	\$130,138	\$48,601	\$133,745	\$10,643	\$340,105

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, 2021, the government made the following one-time transfers:

TRANSFER FROM	TRANSFER TO					TOTAL
	GENERAL FUND	POLICE FUND	SEWER FUND	PAWS AND TAWS FUND	PIER FUND	
GENERAL FUND		\$69,014			\$58,000	\$127,014
HOTEL/MOTEL TAX FUND				163,600		163,600
COMMUNITY DISASTER LOAN	540	11,314				11,854
FEMA GRANT FUND					873,322	873,322
CERT OF OBLIGATIONS SER. 2016			3,621			3,621
TOTALS	\$540	\$80,328	\$3,621	\$163,600	\$931,322	\$1,179,411

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 \$4,735 for the year ended September 30, 2021. The future minimum lease payments for these leases are as follows:

<u>Year Ending Sept. 30</u>	<u>Amount</u>
2022	\$ 4,492
2023	3,193
2024	2,342
2025	2,342
2026	<u>0</u>
Total	<u>\$ 12,369</u>

Rent expenditures were \$33,000 for the year ended September 30, 2021. Sublease rental income was \$0 for the year ended September 30, 2021. Rental income was \$24,388 for the year ended September 30, 2021.

Commitments Under Non-Capitalized Leases:

The Town leases the property which holds the Paws and Taws building from the Aransas County Navigation District.

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

Fiscal year ended September 30, 2022-2025 \$129,000

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:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities – Series 2006	5.77	\$1,250,000
Governmental activities – Series 2016	2.65	\$ 630,000

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2022	\$240,000	\$82,790
2023	255,000	70,298
2024	260,000	57,305
2025	270,000	43,881
2026	285,000	29,733
2027-2031	570,000	29,374
TOTALS	<u>\$1,880,000</u>	<u>\$313,381</u>

The pledged security for the above bonds is as follows:

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

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>	<u>Due After</u> <u>One Year</u>
<u>Governmental Activities:</u>						
General Obligation Bonds	\$2,110,000		\$230,000	\$1,880,000	\$240,000	\$1,640,000
Total Bonds Payable	<u>2,110,000</u>	<u>0</u>	<u>230,000</u>	<u>1,880,000</u>	<u>240,000</u>	<u>1,640,000</u>
Notes Payable	77,521	11,314	88,835	0		0
Net Pension Payable	40,352	41,922	40,352	41,922		41,922
Net OPEB Payable	9,507	12,920	9,507	12,920		12,920
Compensated Absences	2,280	3,702	2,280	3,702	3,702	0
	<u>2,239,660</u>	<u>69,858</u>	<u>370,974</u>	<u>1,938,544</u>	<u>243,702</u>	<u>1,694,842</u>
<u>Business-Type Activities:</u>						
Capital Lease Purchases	2,245		2,245	0		0
Net Pension Payable	93,439	61,671	93,439	61,671		61,671
Net OPEB Payable	20,277	19,006	20,277	19,006		19,006
Compensated Absences	6,960	3,920	6,960	3,920	3,920	0
	<u>122,921</u>	<u>84,597</u>	<u>122,921</u>	<u>84,597</u>	<u>3,920</u>	<u>80,677</u>
Grand Total	<u>\$2,362,581</u>	<u>\$154,455</u>	<u>\$493,895</u>	<u>\$2,023,141</u>	<u>\$247,622</u>	<u>\$1,775,519</u>

The government-wide statement of net position includes \$247,530 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 <u>09/30/21</u>	Year ended <u>09/30/20</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

General Liability Insurance

The Town is insured for general, law enforcement, and automobile liability. The Town uses Texas Municipal League Intergovernmental Risk Pool, Austin, Texas for their health insurance and Regional Pool Alliance for the remainder.

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 Regional Pool Alliance.

Workers' Compensation Insurance

The Town insures against workers' compensation claims through Regional Pool Alliance.

Group Health and Life Insurance

The Town maintains a group health insurance plan from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas 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 2021 expenditures were \$406.45. There were no amounts due to either party as of September 30, 2021.
2. Beverly Garis (Alderwoman Place #2) - Her son Chris co-owns Reliant Data, LLC that provides Cold Storage. The fiscal year 2021 expenditures \$750.00. There were no amounts due to either party as of September 30, 2021.

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, 2021.

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 the business-type activities' Net Position was restated upward by \$25,837 by inclusion of a prior year Construction in Progress for a fishing pier in the Pier fund. The Town also had a prior period adjustment whereby the business-type activities' Net Position was restated upward by \$2,356 by an adjustment in net pension liability.

These restatements had the corresponding effect on the beginning Net Position as follows:

	Net Position, as Previously Reported	CAPITAL ASSET RESTATEMENT	GASB 68 RESTATEMENT	Net Position As Restated
Business-Type Activities:				
Net Position	\$5,386,867	\$25,837	\$2,356	\$5,415,060
Total Business-Type Activities	\$5,386,867	\$25,837	\$2,356	\$5,415,060

F. Defined Benefit Pension Plans

EXECUTIVE SUMMARY

as of December 31, 2020

Actuarial Valuation and Measurement Date, December 31,	2020	2019
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	5	5
- Inactive employees entitled to but not yet receiving benefits	2	2
- Active employees	6	4
- Total	<u>13</u>	<u>11</u>
Covered Payroll	\$244,396	\$233,030
Net Pension Liability		
Total Pension Liability	\$604,659	\$584,525
Plan Fiduciary Net Position	<u>501,066</u>	<u>450,736</u>
Net Pension Liability/(Asset)	\$169,271	\$133,789
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.87%	77.11%
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	42.39%	57.41%
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	2.00%	3.71%
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	\$29,719
2	Interest on the Total Pension Liability	38,647
3	Changes in Current Period Benefits Including Substantively Automatic Status	0
4	Employee Contributions (Reduction of Expense)	(14,664)
5	Projected Earnings on Plan Investments (Reduction of Expense)	(30,425)
6	Administrative Expense	221
7	Other Changes in Fiduciary Net Position	9
8	Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	1,696
9	Recognition of Current Year Outflow (Inflow) of Resources-Assets	(788)
10	Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	5,387
11	Amortization of Prior Year Outflows (Inflows) of Resources-Assets	<u>(3,628)</u>
12	Total Pension Expense (Income)	\$26,174

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

A.	Recognition Period (or amortization year)	Total (Inflow) or Outflow of Resources	2020 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience [actuarial (gains) or losses]	3.21	\$5,445	\$1,696	\$3,749
Change in assumptions [actuarial (gains) or losses]	3.21	0	0	0
			<u>\$1,696</u>	<u>\$3,749</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5	(\$3,939)	(\$788)	(\$3,151)
			<u>(\$788)</u>	<u>(\$3,151)</u>
<u>Total:</u>				<u>\$598</u>

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
2021	\$2,135
2022	4,922
2023	(6,579)
2024	(787)
2025	0
Thereafter	0
Total	<u>(\$309)</u>

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 TMRS-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	Current Single Rate Assumption	1% Increase
5.75%	6.75%	7.75%
\$170,061	\$103,593	\$47,293

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, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

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 — 2.75% 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 2008 to 2018, 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	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	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.
- F. Load for Updated Service Credit – To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

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 75.0% 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 — 68%, 2) Police - 86%, or 3) Other - 108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.1078	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.2030	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

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 75.0% 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 — 54%, 2) Police — 83%, or 3) Other — 113%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	1.82%	2.34%
2	2.43%	3.15%
3	2.87%	3.75%
4	3.24%	4.25%
5	3.55%	4.67%
6	3.83%	5.06%
7	4.08%	5.40%
8	4.32%	5.72%
9	4.53%	6.02%
10	4.74%	6.30%
11	4.93%	6.57%
12	5.11%	6.82%
13	5.28%	7.06%
14	5.45%	7.28%
15	5.60%	7.50%

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	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

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 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 90.0%.

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

E. Pre-Retirement Mortality

For calculating the actuarial liability and the retirement contribution rates, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP 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) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being 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. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. 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.

G. Disability Rates

Age	Males & Females
20	0.000003
25	0.000019
30	0.000074
35	0.000194
40	0.000371
45	0.000603
50	0.000891
55	0.001235
60	0.001635
65	0.002090

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.

Age	
<50	0.05
50-51	0.07
52-54	0.08
55-59	0.13
60	0.16
61	0.17
62	0.25
63-64	0.20
65-74	0.30
75 and over	1.00

Note: For cities without a 20-year/any age retirement provision, the rates are loaded by 50% for ages 60 & below with 25 or more years of service.

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: 95%

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 12% 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 city. 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 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. For cities with twenty or more employees new experience losses are amortized over individual periods of not more than 25 years. Beginning December 31, 2020, new loss bases for cities with fifteen or more employees will be amortized over individual periods of not more than 20 years. 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 City which in turn decreases contribution rate volatility.

Once a Town reaches an "overfunded" status, all prior bases are erased and an amount of the surplus is credited against the contribution rate to keep the funded ratio constant year over year.

Ad hoc benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 12 years or the current life expectancy of the covered group. However, if the non-ad hoc (level percent) amortization factor is smaller due to a shorter amortization period based on the employer's size, as described below, ad hoc enhancements will be amortized the same as any other loss.

- 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 110% 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 period for amortizing losses is decreased 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 policy. Beginning December 31, 2020, the member threshold will be lowered to 15 to be consistent with the decrease in the standard amortization period to 20.

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 TMRS 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: All healthy and disabled members are assumed to choose a 50% Joint and Survivor option when they retire. For healthy members, this is approximated by reducing

the benefit payment by a factor equal to 2.1% at age 60 (with adjustments by age). The 2.1% is effective for the 2019 calendar year and will reduce by 10% each year until the phase into the APR rates is complete, at which time there will be no need for such factor.

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 II(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	2020	2021	2022	2023	2024	2025	Thereafter
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**Due to
Liabilities:**

difference in experiences (inflows)/outflows

2020	3.2100	\$5,445	\$1,696	\$1,696	\$1,696	\$357	\$0	\$0	\$0
2019	3.0800	9,466	3,073	3,073	3,073	247	0	0	0
2018	2.2600	1,323	586	586	151	0	0	0	0
2017	1.8100	2,080	1,148	932	0	0	0	0	0
2016	1.0000	331	331	0	0	0	0	0	0
Total			\$6,834	\$6,287	\$4,920	\$604	\$0	\$0	\$0

change in assumptions (inflows)/outflows

2019	3.0800	\$765	\$249	\$249	\$249	\$18	\$0	\$0	\$0
Total			\$249	\$249	\$249	\$18	\$0	\$0	\$0

Due to Assets:

excess investment returns (inflows)/outflows

2020	5.0000	(\$3,939)	(\$788)	(\$788)	(\$788)	(\$788)	(\$787)	\$0	\$0
2019	4.0000	(25,655)	(6,414)	(6,414)	(6,414)	(6,413)	0	0	0
2018	3.0000	20,863	6,954	6,954	6,955	0	0	0	0
2017	2.0000	(8,305)	(4,152)	(4,153)	0	0	0	0	0
2016	1.0000	(16)	(16)	0	0	0	0	0	0
Total			(\$4,416)	(\$4,401)	(\$247)	(\$7,201)	(\$787)	\$0	\$0

G. GASB 75 Information

**Actuarial and Financial Schedules
As of Measurement Date of December 31, 2020**

Membership	2019	2020
Number of		
-Inactive employees currently receiving benefits	5	5
-Inactive employees entitled to but not yet receiving benefits	1	0
-Active employees	4	6
-Total	10	11
 Covered Payroll	 \$233,030	 \$244,396
 Changes in the Total OPEB Liability		
Total OPEB Liability - beginning of year	\$22,101	\$29,784
Changes for the year		
Service cost	909	1295
Interest on Total OPEB Liability	834	834
Changes of benefit term	0	0
Differences between expected and actual experience	1134	(3748)
Changes in assumptions or other inputs	4946	3957
Benefit payments	(140)	(196)
Net changes	7,683	2,142
Total OPEB Liability - end of year	\$29,784	\$31,926
 Total OPEB Liability as a Percentage of Covered Payroll	 12.78%	 13.06%

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
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	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Note: The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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

	1% Decrease	Current Discount Rate	1% Increase
	1.00%	2.00%	3.00%
Total OPEB liability	\$38,545	\$31,926	\$26,801

OPEB Expense:

Service cost	\$1,295
Interest on total OPEB Liability	834
Changes in benefit terms	0
Employer administrative costs	0
Recognition of deferred outflows/inflows of resources:	
Differences between expected and actual experience	(1,197)
Changes in assumptions or other inputs	2,298
Total OPEB expense	<u>\$3,230</u>

Deferred (Inflows)/Outflows of Resources:

	Deferred (Inflows) of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$2,699)	\$0
Changes in assumptions and other inputs	0	5,286
Contributions made subsequent to measurement date	N/A	NONE
Total (excluding contributions made subsequent to measurement date)	(\$2,699)	\$5,286

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	2020 Recognized in current OPEB expense	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	3.53	(\$3,748)	(\$1,062)	(\$2,686)
Change in assumptions [actuarial (gains) or losses]	3.53	3,957	1,121	2,836
Contributions made subsequent to measurement date		NONE	NONE	NONE
Total (excluding town provided contributions made subsequent to measurement date):				<u><u>\$150</u></u>

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
2021	\$957
2022	938
2023	692
2024	0
2025	0
Thereafter	<u>0</u>
Total	<u>\$2,587</u>

Amortization Schedule – Deferred (Inflows)/Outflows of Resources

	Remaining Recognition period (or amortization years)	Total Remaining (inflow) or Outflow of Resources	2020	2021	2022	2023	2024	2025	Thereafter
Due to Liabilities:									
difference in experiences (inflows)/outflows									
2020	3.53	(\$3,748)	(\$1,062)	(\$1,062)	(\$1,062)	(\$562)	\$0	\$0	\$0
2019	3.49	881	253	253	253	122	0	0	0
2018	2.65	(1,029)	(388)	(388)	(253)	0	0	0	0
		Total	(\$1,197)	(\$1,197)	(\$1,062)	(\$440)	\$0	\$0	\$0
change in assumption (inflows)/outflows									
2020	3.53	\$3,957	\$1,121	\$1,121	\$1,121	\$594	\$0	\$0	\$0
2019	3.49	3,844	1,102	1,102	1,102	538	0	0	0
2018	2.65	(907)	(342)	(342)	(223)	0	0	0	0
2017	1.65	690	417	273	0	0	0	0	0
		Total	\$2,298	\$2,154	\$2,000	\$1,132	\$0	\$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)
2021	<i>0.45%</i>	<i>0.30%</i>
2020	<i>0.27%</i>	<i>0.08%</i>
2019	<i>0.27%</i>	<i>0.06%</i>
2018	<i>0.35%</i>	<i>0.02%</i>
2017	<i>0.35%</i>	<i>0.02%</i>

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 period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

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	11.50%
2	7.25%
3	6.75%
4	6.25%
5	6.00%
6	5.75%
7	5.50%
8	5.25%
9	5.00%
10	4.75%
11-12	4.50%
13-15	4.25%
16-20	4.00%
21-24	3.75%
25+	3.50%

II. Demographic Assumptions

A. Termination Rates

- For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Fulton the base table is then multiplied by a factor of 75.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire - 68%, 2) Police - 86%, or 3) Other -108%. A sample of the base rates follows:

Males

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3079	0.2766	0.2305	0.2037	0.1951	0.1764	0.1612	0.1311	0.1078	0.0860
25	0.2798	0.2393	0.1911	0.1638	0.1507	0.1336	0.1210	0.1060	0.0976	0.0798
30	0.2585	0.2163	0.1697	0.1395	0.1138	0.1052	0.0945	0.0817	0.0785	0.0655
35	0.2642	0.2183	0.1663	0.1334	0.1107	0.1048	0.0894	0.0758	0.0655	0.0598
40	0.2602	0.2172	0.1647	0.1279	0.1103	0.0994	0.0849	0.0749	0.0633	0.0608
45	0.2392	0.2040	0.1640	0.1287	0.1110	0.0976	0.0857	0.0750	0.0638	0.0607
50	0.2191	0.1825	0.1489	0.1211	0.1072	0.0935	0.0851	0.0755	0.0636	0.0609
55	0.2112	0.1759	0.1334	0.1132	0.0908	0.0911	0.0813	0.0719	0.0643	0.0591
60	0.2108	0.1626	0.1298	0.1118	0.0833	0.0915	0.0794	0.0721	0.0602	0.0579
65	0.2109	0.1542	0.1305	0.1121	0.0847	0.0914	0.0798	0.0738	0.0577	0.0581
70	0.2109	0.1557	0.1304	0.1121	0.0845	0.0914	0.0797	0.0735	0.0581	0.0581

Females

Age	Service									
	0	1	2	3	4	5	6	7	8	9
20	0.3080	0.2836	0.2258	0.2132	0.2030	0.2054	0.1561	0.1565	0.1590	0.1600
25	0.2828	0.2449	0.2101	0.1995	0.1739	0.1690	0.1392	0.1375	0.1206	0.1144
30	0.2617	0.2224	0.1981	0.1791	0.1369	0.1370	0.1297	0.1145	0.0989	0.0817
35	0.2464	0.2153	0.1834	0.1462	0.1294	0.1258	0.1130	0.1103	0.1016	0.0782
40	0.2281	0.2026	0.1641	0.1365	0.1316	0.1115	0.1040	0.0940	0.0847	0.0745
45	0.2227	0.1884	0.1450	0.1359	0.1072	0.1034	0.0909	0.0797	0.0717	0.0737
50	0.2238	0.1823	0.1369	0.1249	0.0901	0.0896	0.0837	0.0735	0.0686	0.0628
55	0.2236	0.1766	0.1372	0.1218	0.0848	0.0819	0.0725	0.0717	0.0696	0.0560
60	0.2236	0.1548	0.1372	0.1191	0.0811	0.0856	0.0656	0.0649	0.0436	0.0386
65	0.2236	0.1454	0.1372	0.1169	0.0813	0.0871	0.0678	0.0603	0.0281	0.0285
70	0.2236	0.1471	0.1372	0.1173	0.0813	0.0868	0.0675	0.0611	0.0308	0.0303

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 75.0% 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 – 54%, 2) Police – 83%, or 3) Other – 113%. A sample of the base rates follows:

Years from Retirement		
	Male	Female
1	1.82%	2.34%
2	2.43%	3.15%
3	2.87%	3.75%
4	3.24%	4.25%
5	3.55%	4.67%
6	3.83%	5.06%
7	4.08%	5.40%
8	4.32%	5.72%
9	4.53%	6.02%
10	4.74%	6.30%
11	4.93%	6.57%
12	5.11%	6.82%
13	5.28%	7.06%
14	5.45%	7.28%
15	5.60%	7.50%

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	40.2%
30	40.2%
35	40.2%
40	37.0%
45	31.6%
50	26.1%
55	20.7%

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 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 90.0%.

D. Disabled Annuitant Mortality Rates

For calculating the OPEB liability and the OPEB contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

E. Pre-Retirement Mortality

For calculating the OPEB liability and the contribution rates, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

F. Disability Rates

Age	Males & Females
20	0.000003
25	0.000019
30	0.000074
35	0.000194
40	0.000371
45	0.000603
50	0.000891
55	0.001235
60	0.001635
65	0.002090

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

The base table rates vary by 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.

Age	
<50	0.05
50-51	0.07
52-54	0.08
55-59	0.13
60	0.16
61	0.17
62	0.25
63-64	0.20
65-74	0.30
75 and over	1.00

Note: For cities without a 20-year/any age retirement provision, the rates are loaded by 50% for ages 60 & below with 25 or more years of service.

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: 95%

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 (SOB) 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 SOB rate for retiree coverage is currently only one-third of the total term cost. Beginning January 2021, the SOB rate for retirees will be based on the full 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

<i>Actuarial Assumptions</i>	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.
<i>Actuarial Cost Method</i>	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.
<i>Actuarial Gain (Loss)</i>	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.
<i>Actuarial Present Value (APV)</i>	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.
<i>Actuarial Valuation</i>	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.
<i>Actuarially Determined Contribution (ADC)</i>	A calculated contribution into a defined benefit OPEB plan for the reporting period, most often determined based on the funding policy of the plan.
<i>Covered Payroll</i>	The payroll of employees that are provided with OPEB.
<i>Deferred Inflows and Outflows</i>	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

<i>Discount Rate</i>	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).
<i>Entry Age Normal Actuarial Cost Method (EAN)</i>	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.
<i>GASB</i>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<i>Other Postemployment Benefits (OPEB)</i>	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.
<i>Real Rate of Return</i>	The rate of return on an investment after adjustment to eliminate inflation.
<i>Service Costs</i>	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
<i>Total OPEB Liability</i>	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.
<i>Total OPEB Expense</i>	The total OPEB expense is the sum of the following items: <ol style="list-style-type: none">1. Service Cost2. Interest on the Total OPEB Liability3. Current-Period Benefit Changes4. Administrative Expense5. 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

	2020	2019	2018	2017
A. Total pension liability				
1. Service Cost	\$29,719	\$29,874	\$27,569	\$35,323
2. Interest (on the Total Pension Liability)	38,647	36,092	33,739	31,517
3. Changes of benefit terms	0	0	0	0
4. Difference between expected and actual experience	5,445	12,539	2,495	5,524
5. Changes of assumptions	0	1,014	0	0
6. Benefit payments, including refunds of employee contributions	(53,677)	(29,502)	(30,702)	(40,428)
7. Net change in total pension liability	\$20,134	\$50,017	\$33,101	\$31,936
8. Total pension liability -- beginning	584,525	534,508	501,407	469,471
9. Total pension liability - ending	\$604,659	\$584,525	\$534,508	\$501,407
B. Plan fiduciary net position				
1. Contributions - employer	\$55,209	\$44,625	\$37,831	\$50,529
2. Contributions - employee	14,664	13,982	12,695	16,129
3. Net investment income	34,363	56,723	(10,718)	40,336
4. Benefit payments, including refunds of employee contributions	(53,677)	(29,502)	(30,702)	(40,428)
5. Administrative Expense	(221)	(319)	(206)	(208)
6. Other	(9)	(10)	(11)	(11)
7. Net change in plan fiduciary net position	\$50,330	\$85,499	\$8,888	\$66,347
8. Plan fiduciary net position - beginning	450,736	365,237	356,349	290,002
9. Plan fiduciary net position - ending*	\$501,066	\$450,736	\$365,237	\$356,349
C. Net pension liability (A.9 - B.9)	\$103,593	\$133,789	\$169,271	\$145,058
D. Plan fiduciary net position as a percentage of the total pension liability (B.9 / A.9)	82.87%	77.11%	68.33%	71.07%
E. Covered-employee payroll (B.9 / A.9)	\$244,396	\$233,030	\$211,582	\$268,823
F. Net pension liability as a percentage of covered employee payroll (C/E)	42.39%	57.41%	80.00%	53.96%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years (will ultimately be displayed)

	2017	2018	2019	2020
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	11 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employees tables used for females. The rates are projected on a fully generational basis with scale UMP.

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	2019	2020
1. Service Cost	\$909	\$1,295
2. Interest on Total OPEB Liability	834	834
3. Changes of benefit terms	0	0
4. Difference between expected and actual experience	1,134	-3,748
5. Changes in assumptions or other inputs	4,946	3,957
6. Benefit payments	-140	-196
7. Net changes	7,683	2,142
Total OPEB Liability - beginning of year	\$22,101	\$29,784
Total OPEB Liability - end of year	\$29,784	\$31,926
E. Covered-employee payroll (B.9 / A.9)	\$233,030	\$244,396
F. Total OPEB Liability as a Percentage of Covered Payroll	12.78%	13.06%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF FULTON, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

SPECIAL REVENUE

	Cert of Obligations Ser. 2016	Community Disaster Loan	Donation Fund	Harvey GLO Grant	Harvey Preparedness Grant	Hotel/ Motel Reserve Fund	Police Fund	Total
ASSETS								
Cash and Cash Equivalents			\$5,553	\$100			\$24,154	\$29,807
Receivables (Net of Allowance for Uncollectibles)							3,000	3,000
Total Assets	\$0	\$0	\$5,553	\$100	\$0	\$0	\$27,154	\$32,807
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts Payable							\$833	833
Accrued Wages							\$263	263
Due to Other Funds				100		20,000	105,361	125,461
Total Liabilities	0	0	0	100	0	20,000	106,457	126,557
Fund Balances								
Restricted								
Administration			5,553					5,553
Unassigned						(20,000)	(79,303)	(99,303)
Total Fund Balances	0	0	5,553	0	0	(20,000)	(79,303)	(93,750)
TOTAL LIABILITIES AND FUND BALANCES	\$0	\$0	\$5,553	\$100	\$0	\$0	\$27,154	\$32,807

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, 2021

	SPECIAL REVENUE							Total
	Cert of Obligations Ser. 2016	Community Disaster Loan	Donation Fund	Harvey GLO Grant	Harvey Preparedness Grant	Hotel/ Motel Reserve Fund	Police Fund	
<i>REVENUES</i>								
Taxes								\$0
Intergovernmental		11,314		103,088			643	115,045
Fines and Forfeitures							\$7,383	7,383
Miscellaneous							9	9
Total Revenues	0	11,314	0	103,088	0	0	8,035	122,437
<i>EXPENDITURES</i>								
Current:								
General Administration			3					3
Public Facilities				103,088	6,232			109,320
Public Safety							87,745	87,745
Culture and Recreation								0
Total Expenditures	0	0	3	103,088	6,232	0	87,745	197,068
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	11,314	(3)	0	(6,232)	0	(79,710)	(74,631)
<i>OTHER FINANCING SOURCES (USES):</i>								
Operating Transfers In							80,328	80,328
Operating Transfers Out	(3,621)	(11,854)						(15,475)
Total Other Financing Sources (Uses)	(3,621)	(11,854)	0	0	0	0	80,328	64,853
Net Changes in Fund Balances	(3,621)	(540)	(3)	0	(6,232)	0	618	(9,778)
Fund Balances - Beginning	3,621	540	5,556	0	6,232	(20,000)	(79,921)	(83,972)
Fund Balances - Ending	\$0	\$0	\$5,553	\$0	\$0	(\$20,000)	(\$79,303)	(\$93,750)

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

SINGLE AUDIT SECTION

TOWN OF FULTON, TEXAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 - Town of Fulton - Pier Bait House		Project #843	NONE	33,762
FEMA DR 4332 - Town of Fulton - Fishing Pier		Project #244	NONE	839,561
FEMA DR 4586 - Winter Storm		Project #1491	NONE	8,017
				<u>881,340</u>
Direct				
Community Disaster Loans	97.030	EMT-2018-LF-4332TX06	NONE	<u>11,314</u>
Total U.S. Department of Homeland Security				<u>892,654</u>
U.S. Department of the Treasury				
Direct Programs				
Texas Division of Emergency Management (TDEM)				
COVID CRF	21.019	None	None	<u>78,045</u>
Total U.S. Department of the Treasury (TREAS)				<u>78,045</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)				
Passed Through				
Community Development Block Grants/State's program	14.228			
Texas General Land Office				
Disaster Recovery (CDBG-DR) grant		20-065-054-C164	NONE	103,088
Total United States Department of Housing and Urban Development (HUD)				<u>103,088</u>
TOTAL EXPENDITURES				<u><u>\$1,073,787</u></u>

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, 2021, and the related notes to the financial statements, which collectively comprise The Town of Fulton, Texas' basic financial statements, and have issued our report thereon dated June 14, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Fulton, Texas' 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' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fulton, Texas' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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 & COMPANY
Certified Public Accountants
June 14, 2022

BEYER & Co.
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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, 2021. 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, 2021.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items.

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 & COMPANY
Certified Public Accountants
June 14, 2022

CITY OF FULTON, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal and state award activity of the City of Fulton, Texas under programs of the federal and state government for the year ended September 30, 2021. 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) and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller. Because the Schedule presents only a selected portion of the operations of the City of Fulton, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City 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

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

CITY OF FULTON, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Federal

There were no prior audit findings for Federal Awards.

CITY OF FULTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Section I Summary of Auditors Results

Financial Statements Section

1. The auditor's report expresses an unmodified opinion on the financial statements of the City of Fulton, Texas.
2. There were no significant deficiencies disclosed during the audit. There were no material weakness disclosed during the audit.

Federal (or State) Awards Section

3. There were no instances of noncompliance material to the financial statements of the City 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 the City 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. Federal:

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 City of Fulton did not qualify as a low-risk auditee.

Section II-Financial Statement Findings

Material Weaknesses:

None

Significant Deficiencies:

None

Section III-Federal or State Award findings & Questioned Costs

None