

ANNUAL FINANCIAL REPORT

of the

TOWN OF FULTON, TEXAS

**For the Year Ended
September 30, 2022**

TOWN OF FULTON, TEXAS

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September 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Town Council Members of the
Town of Fulton, Texas:

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Fulton, Texas (the "Town"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, and each major fund of the Town as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As described in Note I.F.9. to the financial statements, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*, in fiscal year 2022. Our opinion is not modified with respect to this matter.

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

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension and other postemployment benefits liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule is presented for purposes of additional analysis and is not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
June 30, 2023

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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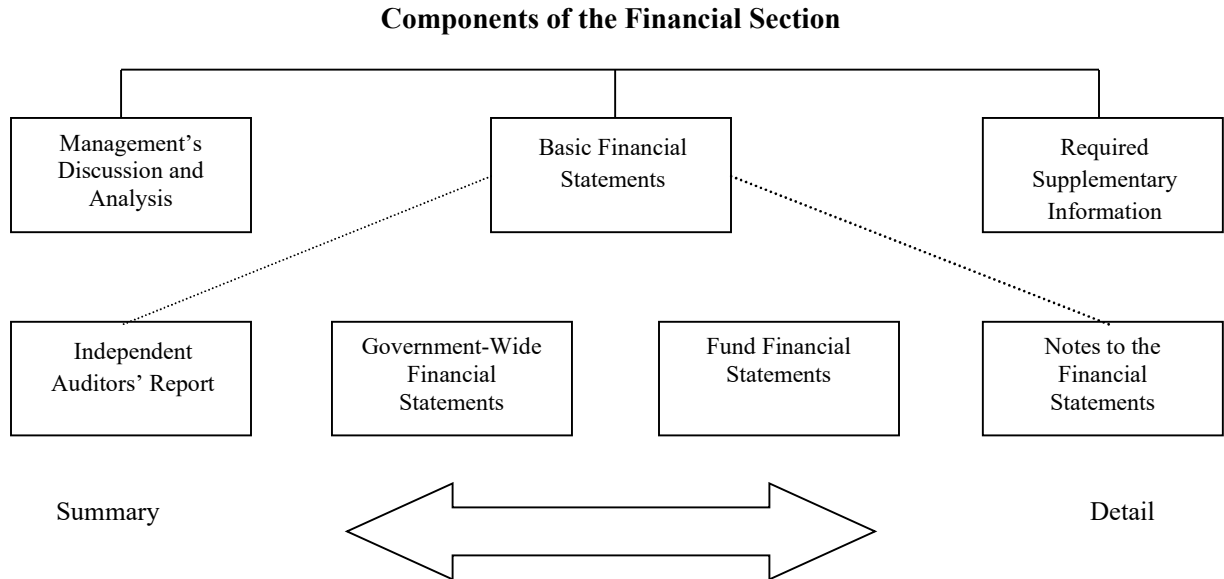
TOWN OF FULTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2022

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Town of Fulton, Texas (the "Town") for the year ending September 30, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the Town's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with Town's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The Town's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the Town as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the Town as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the Town's financial statements, report information on the Town's activities that enable the reader to understand the financial condition of the Town. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the Town's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other nonfinancial factors, such as the Town's property tax base and the condition of the Town's infrastructure, need to be considered in order to assess the overall health of the Town.

TOWN OF FULTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2022

The Statement of Activities presents information showing how the Town's net position changed during the most recent 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 using the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the Town's financials into two classes of activities:

1. *Governmental Activities* – Most of the Town's basic services are reported here including general administration, public facilities, public safety, public transportation, and culture and recreation. Interest payments on the Town's debt are also reported here. Property tax, sales tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the Town's sewer services, convention center, and pier services.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the Town. They are usually segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of Town funds are governmental and proprietary.

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 outflows and inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the Town'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 maintains 5 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, special projects fund, hotel/motel tax fund, and donation fund. These funds are considered to be major funds for reporting purposes.

The Town adopts an annual appropriated budget for its general fund and debt service fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

TOWN OF FULTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Proprietary Funds

The Town maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer services, convention center, and pier services. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general and debt service funds and schedules of changes in net pension and total other postemployment benefits liability and related ratios and the schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. For the Town, assets and deferred outflows of resources exceed liabilities and deferred inflows by \$10,022,723 as of September 30, 2022. A portion of the Town's net position (78%) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

TOWN OF FULTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|------------------------------------|---------------------|-------------------------------------|---------------------|---|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and other assets | \$ 2,126,334 | \$ 1,901,792 | \$ 644,119 | \$ 425,031 | \$ 2,770,453 | \$ 2,326,823 |
| Capital assets, net | 3,478,258 | 3,581,221 | 6,083,500 | 6,218,840 | 9,561,758 | 9,800,061 |
| Total Assets | 5,604,592 | 5,483,013 | 6,727,619 | 6,643,871 | 12,332,211 | 12,126,884 |
| Deferred outflows - pensions | 26,729 | 27,068 | 39,286 | 39,820 | 66,015 | 66,888 |
| Deferred outflows - OPEB | 2,055 | 2,139 | 3,016 | 3,147 | 5,071 | 5,286 |
| Total Deferred Outflows of Resources | 28,784 | 29,207 | 42,302 | 42,967 | 71,086 | 72,174 |
| Long-term liabilities | 1,674,284 | 1,938,544 | 109,854 | 194,150 | 1,784,138 | 2,132,694 |
| Other liabilities | 408,355 | 270,317 | 81,627 | 55,685 | 489,982 | 326,002 |
| Total Liabilities | 2,082,639 | 2,208,861 | 191,481 | 249,835 | 2,274,120 | 2,458,696 |
| Deferred inflows - pensions | 32,395 | 1,275 | 50,940 | 1,876 | 83,335 | 3,151 |
| Deferred inflows - OPEB | 2,067 | 1,092 | 3,146 | 1,607 | 5,213 | 2,699 |
| Deferred inflows - lease receivables | 17,906 | 23,874 | - | - | 17,906 | 23,874 |
| Total Deferred Inflows of Resources | 52,368 | 26,241 | 54,086 | 3,483 | 106,454 | 29,724 |
| Net Position: | | | | | | |
| Net investment in capital assets | 1,829,158 | 1,701,221 | 5,994,977 | 6,109,287 | 7,824,135 | 7,810,508 |
| Restricted | 515,080 | 372,122 | - | - | 515,080 | 372,122 |
| Unrestricted | 1,154,131 | 1,203,775 | 529,377 | 324,233 | 1,683,508 | 1,528,008 |
| Total Net Position | \$ 3,498,369 | \$ 3,277,118 | \$ 6,524,354 | \$ 6,433,520 | \$ 10,022,723 | \$ 9,710,638 |

A portion of the primary government's net position, \$515,080 or 5%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$1,683,508 or 17%, may be used to meet the Town's ongoing obligation to citizens and creditors.

Total assets are \$12,332,211, an increase of \$205,327 compared to prior year. Total assets increased compared to the prior year primarily due to an increase in cash and cash equivalents due primarily to an operating surplus and cash receipts for unearned grant revenues. Total liabilities are \$2,274,120, a decrease of \$184,576 compared to prior year. Total liabilities includes a decrease in long-term liabilities and increase in other liabilities. The decrease in long-term liabilities is mainly due to the bond payments made during the fiscal year, and a decrease in the net pension liability. The increase in other liabilities is primarily due to an increase in unearned grant revenues. Total deferred outflows of resources are \$71,086 which was a slight decrease of \$1,088 compared to the prior year. Total deferred inflows of resources are \$106,454, an increase of \$76,730 compared to the prior year. The increase in deferred inflows of resources was due to the net differences between projected and actual investment earnings and contributions received subsequent to the measurement date on pension plan assets.

TOWN OF FULTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

Statement of Activities

The following table provides a summary of the Town's changes in net position:

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|--------------------------------|---------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 56,453 | \$ 83,242 | \$ 916,243 | \$ 684,455 | \$ 972,696 | \$ 767,697 |
| Operating grants and contributions | 555 | 115,045 | - | - | 555 | 115,045 |
| Capital grants and contributions | 118,088 | 1,551,854 | - | 144,800 | 118,088 | 1,696,654 |
| General revenues: | | | | | | |
| Property taxes | 613,378 | 528,285 | - | - | 613,378 | 528,285 |
| Sales taxes | 356,013 | 265,028 | - | - | 356,013 | 265,028 |
| Franchise fees and local taxes | 106,944 | 159,970 | - | - | 106,944 | 159,970 |
| Hotel occupancy taxes | 392,339 | 396,341 | - | - | 392,339 | 396,341 |
| Investment income | 5,183 | 36 | 1,298 | - | 6,481 | 36 |
| Other revenues | 23,212 | 31,336 | - | - | 23,212 | 31,336 |
| Total Revenues | 1,672,165 | 3,131,137 | 917,541 | 829,255 | 2,589,706 | 3,960,392 |
| Expenses | | | | | | |
| General administration | 624,893 | 295,119 | - | - | 624,893 | 295,119 |
| Public facilities | 50,363 | 168,564 | - | - | 50,363 | 168,564 |
| Public safety | 318,700 | 276,453 | - | - | 318,700 | 276,453 |
| Public transportation | 200,355 | 181,721 | - | - | 200,355 | 181,721 |
| Culture and recreation | 23,722 | 73,163 | - | - | 23,722 | 73,163 |
| Interest and fiscal charges | 80,913 | 90,373 | - | - | 80,913 | 90,373 |
| Sewer | - | - | 482,497 | 567,244 | 482,497 | 567,244 |
| Convention center | - | - | 308,176 | 277,469 | 308,176 | 277,469 |
| Pier | - | - | 188,002 | 64,625 | 188,002 | 64,625 |
| Total Expenses | 1,298,946 | 1,085,393 | 978,675 | 909,338 | 2,277,621 | 1,994,731 |
| Increase (Decrease) in Net Position Before Transfers | 373,219 | 2,045,744 | (61,134) | (80,083) | 312,085 | 1,965,661 |
| Transfers in (out) | (151,968) | (1,098,543) | 151,968 | 1,098,543 | - | - |
| Change in Net Position | 221,251 | 947,201 | 90,834 | 1,018,460 | 312,085 | 1,965,661 |
| Beginning net position | 3,277,118 | 2,329,917 | 6,433,520 | 5,415,060 | 9,710,638 | 7,744,977 |
| Ending Net Position | \$ 3,498,369 | \$ 3,277,118 | \$ 6,524,354 | \$ 6,433,520 | \$ 10,022,723 | \$ 9,710,638 |

For the year, revenues from governmental activities decreased by \$1,458,972 or 47%. The decrease is mainly due to capital grants and contributions from Federal Emergency Management Agency (FEMA) proceeds received in the prior year. Expenses from governmental activities increased by \$213,553 or 20% mainly due to increases in general administration related to personnel and election costs.

Revenues from business-type activities increased by \$88,286 or 11% mainly due to the reopening of the pier and associated fees and sales. Total expenses increased \$69,337 or 8% mostly due to personnel and operational costs due to the reopening of the pier.

TOWN OF FULTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

FINANCIAL ANALYSIS OF THE TOWNS'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The Town's governmental funds reflect a combined fund balance of \$1,650,639, a net increase of \$70,453 from the prior year. Of this combined fund balance, \$23,697 is nonspendable for prepaids, \$6,553 is restricted for administration, \$3,402 is restricted for debt service, \$505,125 is restricted for tourism, and \$107,972 assigned to special projects. Unassigned fund balance totaled \$1,003,890 as of September 30, 2022.

Total revenues decreased by \$1,694,437 or 50% mostly due to FEMA grant monies received in the prior year. Compared to the prior year, expenditures increased by \$244,167 or 20% due mainly to the increase in expenditures for general administration.

The general fund is the chief operating fund of the Town. At the end of the current year, the total fund balance was \$1,025,113, a net decrease of \$81,031 from the prior year. Expenditures increased by \$356,947. General administration saw a significant increase over the prior year, mainly due to an increase in personnel and election costs. Compared to the prior year, revenues increased \$102,893 due mainly to increases in property tax revenue from an increase in the assessed values of properties within the Town, and sales tax revenues from an increase in taxable sales within the Town. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 107% and 110%, respectively, of total general fund expenditures.

The debt service fund had a total fund balance of \$3,402, all of which is restricted for the payment of principal and interest on the Town's outstanding long-term debt. The net decrease in fund balance was \$1,475.

The special projects fund has a total fund balance of \$107,972. The revenues of \$119,645 are mainly from grant reimbursements from prior and current year expenditures. Expenditures of \$113,593 consist of current year expenditures related to grant reimbursements.

The hotel/motel tax fund has a total fund balance of \$507,599, an increase of \$145,907, which was mostly the net result of an increase in funds restricted for enabling legislation.

The donation fund has a total fund balance of \$6,553, an increase of \$1,000 from prior year as a result of donations received during the fiscal year.

Proprietary Funds – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

TOWN OF FULTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2022

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's amended budget planned for a decrease in budgeted general fund balance of \$30,000. The Town's actual revenues were greater than budgeted revenues by \$24,941 primarily due to more intergovernmental, sales taxes and permits, licenses, and fees revenues than expected. Actual expenditures were greater than budgeted expenditures by \$35,743 mainly due to more public facilities and public safety expenses than expected. Actual public safety expenditures were greater than budgeted due to an increase in the dispatch cost share percentage for dispatch services with the City of Rockport.

CAPITAL ASSETS

At year end, the Town's governmental and business-type activities had invested \$9,561,758, in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net decrease of \$238,303 from the prior year.

More detailed information about the Town's capital assets is presented in note III. D. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the Town's governmental activities had total certificates of obligation outstanding of \$1,640,000.

More detailed information about the Town's long-term liabilities is presented in note III. E. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town adopted a \$1,100,703 general fund expenditure budget for fiscal year 2022-2023, which is an increase of \$207,944 compared to the fiscal year 2021-2022 budget. The Town budgeted for fiscal year 2022-2023 general fund revenues of \$1,050,703, which is an increase of \$187,944 compared to the fiscal year 2021-2022 budget. The Town approved a 2022-2023 Maintenance and Operation tax rate of \$0.155915 and an Interest and Sinking tax rate of \$0.117272 for total of \$0.273187 per \$100 property valuation.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances. Questions concerning this report or requests for additional financial information should be directed to Town of Fulton, 201 N. Seventh Street, Fulton, Texas, 78358.

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BASIC FINANCIAL STATEMENTS

TOWN OF FULTON, TEXAS

STATEMENT OF NET POSITION

September 30, 2022

| Primary Government | | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 1,542,367 | \$ 707,135 | \$ 2,249,502 |
| Receivables, net | 327,808 | 65,028 | 392,836 |
| Lease receivables | 17,874 | - | 17,874 |
| Inventory | - | 669 | 669 |
| Prepays | 23,697 | 36,574 | 60,271 |
| Internal balances | 197,170 | (197,170) | - |
| Total Current Assets | 2,108,916 | 612,236 | 2,721,152 |
| Noncurrent assets: | | | |
| Net pension asset | 17,418 | 31,883 | 49,301 |
| Right-to-use assets | 8,994 | 83,418 | 92,412 |
| Nondepreciable capital assets | 295,000 | - | 295,000 |
| Net depreciable capital assets | 3,174,264 | 6,000,082 | 9,174,346 |
| Total Noncurrent Assets | 3,495,676 | 6,115,383 | 9,611,059 |
| Total Assets | 5,604,592 | 6,727,619 | 12,332,211 |
| <u>Deferred Outflows of Resources</u> | | | |
| Deferred outflows - pensions | 26,729 | 39,286 | 66,015 |
| Deferred outflows - OPEB | 2,055 | 3,016 | 5,071 |
| Total Deferred Outflows of Resources | 28,784 | 42,302 | 71,086 |
| <u>Liabilities</u> | | | |
| Accounts payable and accrued liabilities | 84,402 | 64,127 | 148,529 |
| Unearned revenue | 311,444 | - | 311,444 |
| Accrued interest payable | 12,509 | - | 12,509 |
| Customer deposits | - | 17,500 | 17,500 |
| Total Current Liabilities | 408,355 | 81,627 | 489,982 |
| Noncurrent liabilities: | | | |
| Long-term liabilities due within one year | 268,584 | 40,426 | 309,010 |
| Long-term liabilities due in more than one year | 1,405,700 | 69,428 | 1,475,128 |
| Total Noncurrent Liabilities | 1,674,284 | 109,854 | 1,784,138 |
| Total Liabilities | 2,082,639 | 191,481 | 2,274,120 |
| <u>Deferred Inflows of Resources</u> | | | |
| Deferred inflows - pensions | 32,395 | 50,940 | 83,335 |
| Deferred inflows - OPEB | 2,067 | 3,146 | 5,213 |
| Deferred inflows - lease receivables | 17,906 | - | 17,906 |
| Total Deferred Inflows of Resources | 52,368 | 54,086 | 106,454 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 1,829,158 | 5,994,977 | 7,824,135 |
| Restricted for: | | | |
| Administration | 6,553 | - | 6,553 |
| Debt service | 3,402 | - | 3,402 |
| Tourism | 505,125 | - | 505,125 |
| Unrestricted | 1,154,131 | 529,377 | 1,683,508 |
| Total Net Position | \$ 3,498,369 | \$ 6,524,354 | \$ 10,022,723 |

See Notes to Financial Statements.

TOWN OF FULTON, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General administration | \$ 624,893 | \$ - | \$ - | \$ - |
| Public facilities | 50,363 | 47,547 | - | 118,088 |
| Public safety | 318,700 | 8,906 | 555 | - |
| Public transportation | 200,355 | - | - | - |
| Culture and recreation | 23,722 | - | - | - |
| Interest and fiscal charges | 80,913 | - | - | - |
| Total Governmental Activities | <u>1,298,946</u> | <u>56,453</u> | <u>555</u> | <u>118,088</u> |
| Business-Type Activities: | | | | |
| Sewer | 482,497 | 680,653 | - | - |
| Convention center | 308,176 | 80,082 | - | - |
| Pier | 188,002 | 155,508 | - | - |
| Total Business-Type Activities | <u>978,675</u> | <u>916,243</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ 2,277,621</u> | <u>\$ 972,696</u> | <u>\$ 555</u> | <u>\$ 118,088</u> |

General Revenues:

Property taxes
Sales taxes
Franchise fees and local taxes
Hotel occupancy tax
Investment income
Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

| Net Revenue (Expense) and Changes in Net Position | | |
|--|-------------------------------------|---------------|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Total |
| \$ (624,893) | \$ - | \$ (624,893) |
| 115,272 | - | 115,272 |
| (309,239) | - | (309,239) |
| (200,355) | - | (200,355) |
| (23,722) | - | (23,722) |
| (80,913) | - | (80,913) |
| (1,123,850) | - | (1,123,850) |
| - | 198,156 | 198,156 |
| - | (228,094) | (228,094) |
| - | (32,494) | (32,494) |
| - | (62,432) | (62,432) |
| (1,123,850) | (62,432) | (1,186,282) |
| 613,378 | - | 613,378 |
| 356,013 | - | 356,013 |
| 106,944 | - | 106,944 |
| 392,339 | - | 392,339 |
| 5,183 | 1,298 | 6,481 |
| 23,212 | - | 23,212 |
| (151,968) | 151,968 | - |
| 1,345,101 | 153,266 | 1,498,367 |
| 221,251 | 90,834 | 312,085 |
| 3,277,118 | 6,433,520 | 9,710,638 |
| \$ 3,498,369 | \$ 6,524,354 | \$ 10,022,723 |

TOWN OF FULTON, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2022

| | General | Debt Service | Special Projects | Hotel/Motel Tax |
|--|---------------------|------------------|---------------------|-------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 524,352 | \$ 3,402 | \$ 696,342 | \$ 311,718 |
| Receivables, net | 117,532 | 16,523 | - | 193,753 |
| Lease receivables | 17,874 | - | - | - |
| Prepays | 21,223 | - | - | 2,474 |
| Due from other funds | 474,320 | - | - | - |
| Total Assets | \$ 1,155,301 | \$ 19,925 | \$ 696,342 | \$ 507,945 |
| <u>Liabilities</u> | | | | |
| Accounts payable and accrued liabilities | \$ 84,280 | \$ - | \$ - | \$ 122 |
| Unearned revenue | - | - | 311,444 | - |
| Due to other funds | - | - | 276,926 | 224 |
| Total Liabilities | 84,280 | - | 588,370 | 346 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Unavailable revenue - property taxes | 12,028 | 16,523 | - | - |
| Unavailable revenue - court fines | 15,974 | - | - | - |
| Unavailable revenue - lease receivables | 17,906 | - | - | - |
| Total Deferred Inflows of Resources | 45,908 | 16,523 | - | - |
| <u>Fund Balances</u> | | | | |
| Nonspendable: | | | | |
| Inventory and prepaids | 21,223 | - | - | 2,474 |
| Restricted for: | | | | |
| Administration | - | - | - | - |
| Debt service | - | 3,402 | - | - |
| Tourism | - | - | - | 505,125 |
| Assigned for: | | | | |
| Special projects | - | - | 107,972 | - |
| Unassigned | 1,003,890 | - | - | - |
| Total Fund Balances | 1,025,113 | 3,402 | 107,972 | 507,599 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 1,155,301 | \$ 19,925 | \$ 696,342 | \$ 507,945 |

See Notes to Financial Statements.

| Donation | Total Governmental Funds |
|-----------------|---|
| \$ 6,553 | \$ 1,542,367 |
| - | 327,808 |
| - | 17,874 |
| - | 23,697 |
| - | 474,320 |
| <u>\$ 6,553</u> | <u>\$ 2,386,066</u> |
| | |
| \$ - | \$ 84,402 |
| - | 311,444 |
| - | 277,150 |
| <u>-</u> | <u>672,996</u> |
| | |
| - | 28,551 |
| - | 15,974 |
| - | 17,906 |
| <u>-</u> | <u>62,431</u> |
| | |
| - | 23,697 |
| 6,553 | 6,553 |
| - | 3,402 |
| - | 505,125 |
| - | 107,972 |
| - | 1,003,890 |
| <u>6,553</u> | <u>1,650,639</u> |
| | |
| <u>\$ 6,553</u> | <u>\$ 2,386,066</u> |

TOWN OF FULTON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2022

Total fund balances – total governmental funds \$ 1,650,639

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

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

| | |
|----------------------------------|-----------|
| Right-to-use assets | 8,994 |
| Capital assets – nondepreciable | 295,000 |
| Capital assets – net depreciable | 3,174,264 |

Changes in pension/other postemployment benefits (OPEB) activity do not affect the fund balance on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. These changes in pension/OPEB activity that affect the Town's net position are as follows:

| | |
|------------------------------|----------|
| Net pension asset | 17,418 |
| Total OPEB liability | (12,310) |
| Deferred outflows - pensions | 26,729 |
| Deferred outflows - OPEB | 2,055 |
| Deferred inflows - pensions | (32,395) |
| Deferred inflows - OPEB | (2,067) |

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.

| | |
|---------------------------|--------|
| Property taxes receivable | 28,551 |
| Court fines receivable | 15,974 |

Some liabilities, including debt payable, compensated absences, and accrued interest payable, are not reported as liabilities in the governmental funds.

| | |
|---------------------------|-------------|
| Certificate of obligation | (1,640,000) |
| Leases payable | (9,100) |
| Compensated absences | (12,874) |
| Accrued interest payable | (12,509) |

Net Position of Governmental Activities \$ 3,498,369

See Notes to Financial Statements.

TOWN OF FULTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

| | <u>General</u> | <u>Debt Service</u> | <u>Special Projects</u> | <u>Hotel/Motel Tax</u> |
|--|---------------------|---------------------|-----------------------------|------------------------|
| <u>Revenues</u> | | | | |
| Property taxes | \$ 289,615 | \$ 321,315 | \$ - | \$ - |
| Sales taxes | 356,013 | - | - | - |
| Franchise fees and local taxes | 106,944 | - | - | - |
| Hotel occupancy taxes | - | - | - | 392,339 |
| Permits, licenses, and fees | 47,547 | - | - | - |
| Fines and forfeitures | 8,906 | - | - | - |
| Intergovernmental | 555 | - | 118,088 | - |
| Investment income | 2,808 | - | 1,557 | 818 |
| Miscellaneous revenue | 22,212 | - | - | - |
| Total Revenues | <u>834,600</u> | <u>321,315</u> | <u>119,645</u> | <u>393,157</u> |
| <u>Expenditures</u> | | | | |
| Current: | | | | |
| General administration | 428,814 | - | 57,378 | 116,000 |
| Public facilities | 24,056 | - | 56,215 | - |
| Public safety | 330,416 | - | - | - |
| Public transportation | 99,368 | - | - | - |
| Culture and recreation | 8,282 | - | - | - |
| Capital outlay | 42,709 | - | - | - |
| Debt service: | | | | |
| Principal | 1,481 | 240,000 | - | - |
| Interest and fiscal charges | 276 | 82,790 | - | - |
| Total Expenditures | <u>935,402</u> | <u>322,790</u> | <u>113,593</u> | <u>116,000</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(100,802)</u> | <u>(1,475)</u> | <u>6,052</u> | <u>277,157</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Leases (as lessee) | 10,581 | - | - | - |
| Transfers in | 9,190 | - | - | - |
| Transfers (out) | - | - | - | (131,250) |
| Total Other Financing (Uses) | <u>19,771</u> | <u>-</u> | <u>-</u> | <u>(131,250)</u> |
| Net Change in Fund Balances | (81,031) | (1,475) | 6,052 | 145,907 |
| Beginning fund balances | 1,106,144 | 4,877 | 101,920 | 361,692 |
| Ending Fund Balances | <u>\$ 1,025,113</u> | <u>\$ 3,402</u> | <u>\$ 107,972</u> | <u>\$ 507,599</u> |

See Notes to Financial Statements.

| Donation | Total Governmental Funds |
|-----------------|---|
| \$ - | \$ 610,930 |
| - | 356,013 |
| - | 106,944 |
| - | 392,339 |
| - | 47,547 |
| - | 8,906 |
| - | 118,643 |
| - | 5,183 |
| 1,000 | 23,212 |
| <u>1,000</u> | <u>1,669,717</u> |
| - | 602,192 |
| - | 80,271 |
| - | 330,416 |
| - | 99,368 |
| - | 8,282 |
| - | 42,709 |
| - | 241,481 |
| - | 83,066 |
| <u>-</u> | <u>1,487,785</u> |
| <u>1,000</u> | <u>181,932</u> |
| - | 10,581 |
| - | 9,190 |
| - | (131,250) |
| <u>-</u> | <u>(111,479)</u> |
| 1,000 | 70,453 |
| 5,553 | 1,580,186 |
| <u>\$ 6,553</u> | <u>\$ 1,650,639</u> |

TOWN OF FULTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2022

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

| | |
|---|-------------------|
| Net changes in fund balances - total governmental funds | \$ 70,453 |
| 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. | |
| Capital outlay | 40,389 |
| Depreciation | (143,352) |
| Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds. | 2,448 |
| The issuance of long-term debt (e.g., bonds, leases, certificates of obligation, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. | |
| Principal payments | 241,481 |
| Lease proceeds | (10,581) |
| Accrued interest | 2,153 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | |
| Compensated absences | (9,172) |
| Net pension asset | 59,340 |
| Total OPEB liability | 610 |
| Deferred outflows - pensions | (339) |
| Deferred outflows - OPEB | (84) |
| Deferred inflows - pensions | (31,120) |
| Deferred inflows - OPEB | (975) |
| Change in Net Position of Governmental Activities | \$ 221,251 |

See Notes to Financial Statements.

TOWN OF FULTON, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2022

| | Sewer | Convention Center | Pier | Total Proprietary Funds |
|--|---------------------|----------------------|---------------------|-------------------------------|
| <u>Assets</u> | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 456,421 | \$ 138,939 | \$ 111,775 | \$ 707,135 |
| Receivables, net | 59,529 | 5,200 | 299 | 65,028 |
| Prepays | - | 23,336 | 13,238 | 36,574 |
| Due from other funds | 15,185 | - | 4,657 | 19,842 |
| Inventory | - | - | 669 | 669 |
| Total Current Assets | 531,135 | 167,475 | 130,638 | 829,248 |
| Noncurrent assets: | | | | |
| Net pension asset | 23,407 | 8,476 | - | 31,883 |
| Right-to-use assets | - | 83,418 | - | 83,418 |
| Net depreciable capital assets | 1,372,424 | 2,755,405 | 1,872,253 | 6,000,082 |
| Total Noncurrent Assets | 1,395,831 | 2,847,299 | 1,872,253 | 6,115,383 |
| Total Assets | 1,926,966 | 3,014,774 | 2,002,891 | 6,944,631 |
| <u>Deferred Outflows of Resources</u> | | | | |
| Deferred outflows - pensions | 33,215 | 6,071 | - | 39,286 |
| Deferred outflows - OPEB | 2,553 | 463 | - | 3,016 |
| Total Deferred Outflows of Resources | 35,768 | 6,534 | - | 42,302 |
| <u>Liabilities</u> | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued liabilities | 57,884 | 4,086 | 2,157 | 64,127 |
| Due to other funds | - | 172,448 | 44,564 | 217,012 |
| Customer deposits | - | 17,500 | - | 17,500 |
| Compensated absences - current | 2,959 | - | - | 2,959 |
| Lease payable - current | - | 37,467 | - | 37,467 |
| Total Current Liabilities | 60,843 | 231,501 | 46,721 | 339,065 |
| Noncurrent liabilities: | | | | |
| Lease payable | - | 51,056 | - | 51,056 |
| Compensated absences | 329 | - | - | 329 |
| Total OPEB liability | 15,282 | 2,761 | - | 18,043 |
| Total Noncurrent Liabilities | 15,611 | 53,817 | - | 69,428 |
| Total Liabilities | 76,454 | 285,318 | 46,721 | 408,493 |
| <u>Deferred Inflows of Resources</u> | | | | |
| Deferred inflows - pensions | 41,189 | 9,751 | - | 50,940 |
| Deferred inflows - OPEB | 2,600 | 546 | - | 3,146 |
| Total Deferred Inflows of Resources | 43,789 | 10,297 | - | 54,086 |
| <u>Net Position</u> | | | | |
| Net investment in capital assets | 1,372,424 | 2,750,300 | 1,872,253 | 5,994,977 |
| Unrestricted | 470,067 | (24,607) | 83,917 | 529,377 |
| Total Net Position | \$ 1,842,491 | \$ 2,725,693 | \$ 1,956,170 | \$ 6,524,354 |

See Notes to Financial Statements.

TOWN OF FULTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2022

| | Sewer | Convention Center | Pier | Total Proprietary Funds |
|---|----------------------------|----------------------------|----------------------------|-------------------------------|
| <u>Operating Revenues</u> | | | | |
| Charges for services | \$ 670,948 | \$ 79,940 | \$ 155,508 | \$ 906,396 |
| Miscellaneous | 9,705 | 142 | - | 9,847 |
| Total Operating Revenues | <u>680,653</u> | <u>80,082</u> | <u>155,508</u> | <u>916,243</u> |
| <u>Operating Expenses</u> | | | | |
| Personnel services | 114,221 | 46,548 | 77,031 | 237,800 |
| Supplies | 9,671 | 6,584 | 2,935 | 19,190 |
| Other services and charges | 250,935 | 115,281 | 58,406 | 424,622 |
| Depreciation | 107,670 | 135,733 | 49,630 | 293,033 |
| Total Operating Expenses | <u>482,497</u> | <u>304,146</u> | <u>188,002</u> | <u>974,645</u> |
| Operating Income (Loss) | <u>198,156</u> | <u>(224,064)</u> | <u>(32,494)</u> | <u>(58,402)</u> |
| <u>Nonoperating Revenues (Expenses)</u> | | | | |
| Investment income | 927 | 371 | - | 1,298 |
| Interest expense | - | (4,030) | - | (4,030) |
| Total Nonoperating Revenues (Expenses) | <u>927</u> | <u>(3,659)</u> | <u>-</u> | <u>(2,732)</u> |
| Income (Loss) Before Transfers and Capital Contributions | 199,083 | (227,723) | (32,494) | (61,134) |
| <u>Transfers and Capital Contributions</u> | | | | |
| Capital contributions | - | - | 29,908 | 29,908 |
| Transfers in | - | 131,250 | - | 131,250 |
| Transfers (out) | (9,190) | - | - | (9,190) |
| Total Transfers and Capital Contributions | <u>(9,190)</u> | <u>131,250</u> | <u>29,908</u> | <u>151,968</u> |
| Change in Net Position | 189,893 | (96,473) | (2,586) | 90,834 |
| Beginning net position | <u>1,652,598</u> | <u>2,822,166</u> | <u>1,958,756</u> | <u>6,433,520</u> |
| Ending Net Position | <u><u>\$ 1,842,491</u></u> | <u><u>\$ 2,725,693</u></u> | <u><u>\$ 1,956,170</u></u> | <u><u>\$ 6,524,354</u></u> |

See Notes to Financial Statements.

TOWN OF FULTON, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2022

| | Sewer | Convention Center | Pier | Total Proprietary Funds |
|--|--------------------------|--------------------------|--------------------------|-------------------------------|
| <u>Cash Flows from Operating Activities</u> | | | | |
| Receipts from customers and users | \$ 676,924 | \$ 78,982 | \$ 155,209 | \$ 911,115 |
| Payments to suppliers | (264,447) | 37,304 | (26,878) | (254,021) |
| Payments to employees | (149,763) | (54,887) | (77,031) | (281,681) |
| Net Cash Provided (Used) by Operating Activities | <u>262,714</u> | <u>61,399</u> | <u>51,300</u> | <u>375,413</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | | | | |
| Transfers from other funds | - | 131,250 | - | 131,250 |
| Transfers to other funds | (9,190) | - | - | (9,190) |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(9,190)</u> | <u>131,250</u> | <u>-</u> | <u>122,060</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | | | | |
| Acquisition and construction of capital assets | (83,496) | (33,349) | | (116,845) |
| Principal paid on capital debt | - | (31,970) | - | (31,970) |
| Interest and fiscal charges | - | (4,030) | - | (4,030) |
| Net Cash (Used) by Capital and Related Financing Activities | <u>(83,496)</u> | <u>(69,349)</u> | <u>-</u> | <u>(152,845)</u> |
| <u>Cash Flows from Investing Activities</u> | | | | |
| Interest received | 927 | 371 | - | 1,298 |
| Net Cash Provided by Investing Activities | <u>927</u> | <u>371</u> | <u>-</u> | <u>1,298</u> |
| Net Increase in Cash and Cash Equivalents | 170,955 | 123,671 | 51,300 | 345,926 |
| Beginning cash and cash equivalents | <u>285,466</u> | <u>15,268</u> | <u>60,475</u> | <u>361,209</u> |
| Ending Cash and Cash Equivalents | <u><u>\$ 456,421</u></u> | <u><u>\$ 138,939</u></u> | <u><u>\$ 111,775</u></u> | <u><u>\$ 707,135</u></u> |

TOWN OF FULTON, TEXAS

STATEMENT OF CASH FLOWS PROPRIETARY FUND (Page 2 of 2) For the Year Ended September 30, 2022

| | Sewer | Convention Center | Pier | Total Proprietary Funds |
|--|-------------------|----------------------|------------------|-------------------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | | | |
| Operating income (loss) | \$ 198,156 | \$ (224,064) | \$ (32,494) | \$ (58,402) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Depreciation | 107,670 | 135,733 | 49,630 | 293,033 |
| Changes in Operating Assets and Liabilities: | | | | |
| (Increase) Decrease in Assets: | | | | |
| Accounts receivable | (3,729) | (5,000) | (299) | (9,028) |
| Prepays | - | 9,491 | 4,846 | 14,337 |
| Due from other funds | 5,100 | 144,800 | (4,657) | 145,243 |
| Inventory | - | - | (669) | (669) |
| Deferred outflows - pensions | 431 | 103 | - | 534 |
| Deferred outflows - OPEB | 106 | 25 | - | 131 |
| Net pension asset | (75,516) | (18,038) | - | (93,554) |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts payable and accrued liabilities | 39,660 | (18,640) | 1,022 | 22,042 |
| Due to other funds | (48,601) | 23,518 | 33,921 | 8,838 |
| Customer deposits | - | 3,900 | - | 3,900 |
| Compensated absences | (632) | - | - | (632) |
| Deferred inflows - pensions | 39,604 | 9,460 | - | 49,064 |
| Deferred inflows - OPEB | 1,242 | 297 | - | 1,539 |
| Total OPEB liability | (777) | (186) | - | (963) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 262,714</u> | <u>\$ 61,399</u> | <u>\$ 51,300</u> | <u>\$ 375,413</u> |
| Noncash investing, capital, and financing activities: | | | | |
| Contributions of capital assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 29,908</u> | <u>\$ 29,908</u> |

See Notes to Financial Statements.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Fulton (the “Town”) was incorporated under the laws of the State of Texas (the “State”) on May 3, 1979. The Town operates under a Mayor-Council form of government.

The Town provides the following services: general administration, public facilities, public safety, public transportation, and culture and recreation.

The Town is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the Town’s financial reporting entity. No other entities have been included in the Town’s reporting entity. Additionally, as the Town is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the Town’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Town is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the Town’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the Town’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Town’s sewer functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, public facilities, public safety, public transportation, and culture and recreation. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the Town. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *special projects fund* is used to account for the proceeds of specific revenue and funding sources that are from grant reimbursements and expenditures assigned for specified purposes. The special projects fund is considered a major fund for reporting purposes.

The *hotel/motel tax fund* is used to account for occupancy tax monies used to further the Town's area culture and recreation. The hotel/motel tax fund is considered a major fund for reporting purposes.

The *donation fund* is used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Although the donation fund is considered a nonmajor fund, the City has elected to report the donation fund as a major fund for reporting purposes.

The Town reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide sewer services, convention center and pier services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The sewer, convention center, and pier funds are considered major funds for reporting purposes.

During the course of operations, the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Property taxes, sales taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in statewide investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The Town has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the Town is authorized to invest in the following:

- Direct obligations of the U.S. Government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Statewide investment pools

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Restricted Assets

Certain bond proceeds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the governmental and enterprise funds are restricted by bond covenants for repayment of debt and to finance construction projects.

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. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with the construction of the enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

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

| <u>Asset Description</u> | <u>Estimated Useful Life</u> |
|--|------------------------------|
| Buildings | 10 to 40 years |
| Improvements other than buildings | 10 to 40 years |
| Infrastructure | 20 to 50 years |
| Sewer system | 20 to 50 years |
| Vehicles | 5 years |
| Machinery, equipment, and office furniture | 5 to 10 years |

6. 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. 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.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the Town's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

At the fund level, the Town has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and a grant. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

7. Compensated Employee Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time and compensatory time. Vacation amounts accumulated, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of sewer service revenues.

Assets acquired under the terms of a lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, the lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

9. Leases

The Town is a lessee for noncancellable leases of equipment and land. The Town recognizes a lease liability and intangible right-to-use lease assets (the “lease asset”) in the government-wide financial statements.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the term of the lease.

Key estimates and judgements related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Town is reasonably certain to exercise.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The Town monitors changes in circumstances that would require a measurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

The Town is a lessor for noncancellable leases. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated borrowing rate as the discount rate for these leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

10. Net Position Flow Assumption

Sometimes the Town 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 Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

11. Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

12. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town Council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

14. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Postemployment Benefits

The Town participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the Town's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during October of each year, are due upon receipt of the Town's tax bill, and become delinquent if unpaid on February 1, with late fees assessed monthly. After June 30, any taxes still uncollected are subject to lawsuit for collection and additional charges to offset legal costs.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted for governmental funds on a basis consistent with generally accepted accounting principles. The original budget is adopted by the Town Council prior to the beginning of the year. The legal level of control as defined by the charter is the object and purpose stated in the approved budget. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year ended September 30, 2022.

1. Expenditures in Excess of Appropriations

As of September 30, 2022, expenditures exceeded appropriations at the legal level of control as follows:

| | | |
|------------------------|----|--------|
| General fund | | |
| Public facilities | \$ | 6,056 |
| Public safety | \$ | 49,841 |
| Culture and recreation | \$ | 32 |
| Capital outlay | \$ | 12,209 |

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the Town had the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (Years) |
|-------------------------|---------------------|--------------------------------------|
| TexPool | \$ 1,446,466 | 0.07 |
| Total Fair Value | \$ 1,446,466 | |

Portfolio weighted average maturity 0.07

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of year end, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Interest rate risk. In accordance with its investment policy, the Town manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Credit risk. The Town’s investment policy limits investments in public fund investment pools rated as to investment quality not less than ‘AAA’ or ‘AAA-m’, or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2022, the Town’s investments in the investment pool was rated ‘AAAm’ by Standard & Poor’s.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rates TexPool ‘AAAm’. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool’s liquidity.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

B. Receivables

The following comprise receivable balances as of September 30, 2022:

| | General | Debt Service | Hotel/Motel | Total Governmental |
|----------------|-------------------|---------------------|--------------------|-------------------------------|
| Property taxes | \$ 12,274 | \$ 16,860 | \$ - | \$ 29,134 |
| Other taxes | 58,937 | - | 193,753 | 252,690 |
| Accounts | 46,566 | - | - | 46,566 |
| Less allowance | (245) | (337) | - | (582) |
| Totals | \$ 117,532 | \$ 16,523 | 193,753 | \$ 327,808 |

| | Sewer | Convention Center | Pier | Total Business-Type |
|----------|--------------|------------------------------|-------------|--------------------------------|
| Accounts | \$ 59,529 | \$ 5,200 | \$ 299 | \$ 65,028 |

C. Lease Receivables

The Town was a lessor for facilities used for housing and operating certain communications equipment. As of September 30, 2022, the value of the lease receivable was \$17,874. The Town received principal and interest payments on the lease in fiscal year 2022 for \$6,000. The Town will continue to receive principal and interest payments on the lease through the fiscal year 2025. The estimated incremental borrowing rate is 4%. The lease is amortized based on the term of the lease agreement which is 4 years from the beginning of fiscal year 2022. The value of the deferred inflows for fiscal year 2022 was \$17,906. The remaining principal and interest payments along with the amortization of the deferred inflows of resources from the lease are as follows:

| Fiscal Year Ending Sept. 30 | Lease Receipts | | | Amortization of Deferred Inflows |
|--|-----------------------|-----------------|---------------|---|
| | Principal | Interest | Total | |
| 2023 | \$ 5,937 | \$ 63 | \$ 6,000 | \$ 5,969 |
| 2024 | 5,958 | 42 | 6,000 | 5,969 |
| 2025 | 5,979 | 21 | 6,000 | 5,968 |
| | <u>\$ 17,874</u> | <u>126</u> | <u>18,000</u> | <u>17,906</u> |

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

D. Capital Assets

A summary of changes in capital assets for governmental activities for the fiscal year ended September 30, 2022 is as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 295,000 | \$ - | \$ - | \$ 295,000 |
| Total capital assets not being depreciated | <u>295,000</u> | <u>-</u> | <u>-</u> | <u>295,000</u> |
| Other capital assets: | | | | |
| Buildings and improvements | 259,242 | 7,830 | - | 267,072 |
| Equipment | 278,778 | 27,978 | (6,000) | 300,756 |
| Infrastructure | 4,111,389 | - | - | 4,111,389 |
| Right-to-use assets | - | 10,581 | - | 10,581 |
| Total other capital assets | <u>4,649,409</u> | <u>38,559</u> | <u>(6,000)</u> | <u>4,689,798</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (92,210) | (8,663) | - | (100,873) |
| Equipment | (197,963) | (36,317) | 6,000 | (228,280) |
| Infrastructure | (1,073,015) | (102,785) | - | (1,175,800) |
| Right-to-use assets | - | (1,587) | - | (1,587) |
| Total accumulated depreciation | <u>(1,363,188)</u> | <u>(149,352)</u> | <u>6,000</u> | <u>(1,506,540)</u> |
| Other capital assets, net | <u>3,286,221</u> | <u>(110,793)</u> | <u>-</u> | <u>3,183,258</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 3,581,221</u> | <u>\$ (110,793)</u> | <u>\$ -</u> | <u>3,478,258</u> |
| | | | | |
| | | | | <u>(1,649,100)</u> |
| | | | | |
| | | | | <u>\$ 1,829,158</u> |

Depreciation was charged to governmental functions as follows:

| | |
|---|-------------------|
| General administration | \$ 24,963 |
| Public safety | 1,962 |
| Public transportation | 106,987 |
| Culture and recreation | <u>15,440</u> |
| Total Governmental Activities Depreciation Expense | <u>\$ 149,352</u> |

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended September 30, 2022:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---|--------------------|---------------------------|
| Business-Type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in progress | \$ 33,761 | \$ 20,499 | \$ (54,260) | \$ - |
| Total capital assets not being depreciated | <u>33,761</u> | <u>20,499</u> | <u>(54,260)</u> | <u>-</u> |
| Other capital assets: | | | | |
| Buildings and other improvements | 4,861,363 | 89,264 | - | 4,950,627 |
| Equipment | 523,296 | 45,687 | (23,647) | 545,336 |
| Infrastructure | 2,955,063 | 45,563 | - | 3,000,626 |
| Right-to-use assets | <u>120,493</u> | <u>-</u> | <u>-</u> | <u>120,493</u> |
| Total other capital assets | <u>8,460,215</u> | <u>180,514</u> | <u>(23,647)</u> | <u>8,617,082</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and other improvements | (224,257) | (126,337) | - | (350,594) |
| Equipment | (354,352) | (53,466) | 23,647 | (384,171) |
| Infrastructure | (1,685,587) | (76,155) | - | (1,761,742) |
| Right-to-use assets | <u>-</u> | <u>(37,075)</u> | <u>-</u> | <u>(37,075)</u> |
| Total accumulated depreciation | <u>(2,264,196)</u> | <u>(293,033)</u> | <u>23,647</u> | <u>(2,533,582)</u> |
| Other capital assets, net | <u>6,196,019</u> | <u>(112,519)</u> | <u>-</u> | <u>6,083,500</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 6,229,780</u> | <u>\$ (92,020)</u> | <u>\$ (54,260)</u> | <u>6,083,500</u> |
| | | Less associated debt | | <u>(88,523)</u> |
| | | Net Investment in Capital Assets | | <u>\$ 5,994,977</u> |

Depreciation was charged to business-type functions as follows:

| | |
|--|-------------------|
| Sewer | \$ 107,670 |
| Convention center | 135,733 |
| Pier | <u>49,630</u> |
| Total Business-Type Activities Depreciation Expense | <u>\$ 293,033</u> |

TOWN OF FULTON
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

E. Long-Term Debt

The following is a summary of changes in the Town's total long-term liabilities for the year. In general, the Town uses the general and debt service funds to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences, and total OPEB liability are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|--|------------------------------|------------------|-------------------|---------------------------|--|
| Governmental Activities | | | | | |
| Certificates of obligation | \$ 1,880,000 | \$ - | \$ 240,000 | \$ 1,640,000 * | \$ 255,000 |
| Leases payable | - | 10,581 | 1,481 | 9,100 * | 1,997 |
| | <u>1,880,000</u> | <u>10,581</u> | <u>241,481</u> | <u>1,649,100</u> | <u>256,997</u> |
| Other liabilities: | | | | | |
| Total OPEB liability | 12,920 | - | 610 | 12,310 | - |
| Compensated absences | <u>3,702</u> | <u>21,402</u> | <u>12,230</u> | <u>12,874</u> | <u>11,587</u> |
| | <u>16,622</u> | <u>21,402</u> | <u>12,840</u> | <u>25,184</u> | <u>11,587</u> |
| Total Governmental Activities | <u>\$ 1,896,622</u> | <u>\$ 31,983</u> | <u>\$ 254,321</u> | <u>\$ 1,674,284</u> | <u>\$ 268,584</u> |
| Long-Term Liabilities Due In More Than One Year | | | | <u>\$ 1,405,700</u> | |
| * Debt Associated With Capital Assets | | | | <u>\$ 1,649,100</u> | |
| | | | | | |
| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
| Business-Type Activities | | | | | |
| Leases payable | \$ 120,493 | \$ - | \$ 31,970 | \$ 88,523 * | \$ 37,467 |
| Other liabilities: | | | | | |
| Total OPEB liability | 19,006 | - | 963 | 18,043 | - |
| Compensated absences | <u>3,920</u> | <u>5,445</u> | <u>6,077</u> | <u>3,288</u> | <u>2,959</u> |
| | <u>22,926</u> | <u>5,445</u> | <u>7,040</u> | <u>21,331</u> | <u>2,959</u> |
| Total Business-Type Activities | <u>\$ 143,419</u> | <u>\$ 5,445</u> | <u>\$ 39,010</u> | <u>\$ 109,854</u> | <u>\$ 40,426</u> |
| Long-Term Liabilities Due In More Than One Year | | | | <u>\$ 69,428</u> | |
| * Debt Associated With Capital Assets | | | | <u>\$ 88,523</u> | |

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Long-term debt at year end was comprised of the following debt issues:

| Description | Interest Rates | Balance |
|---|----------------|---------------------|
| <u>Governmental Activities</u> | | |
| Certificates of Obligation | | |
| Series 2006 | 3.50% | \$ 1,065,000 |
| Series 2016 | 4.00-5.00% | 575,000 |
| Total Governmental Activities Long-Term Debt | | \$ 1,640,000 |

The annual requirements to amortize debt issues outstanding at year end were as follows:

| Governmental Activities Long-Term Debt | | |
|---|-----------------------------------|-------------------|
| Fiscal Year | | |
| Ending | Certificates of Obligation | |
| Sep 30 | Principal | Interest |
| 2023 | \$ 255,000 | \$ 70,296 |
| 2024 | 260,000 | 57,305 |
| 2025 | 270,000 | 43,880 |
| 2026 | 285,000 | 29,734 |
| 2027 | 300,000 | 14,800 |
| 2028-2031 | 270,000 | 14,575 |
| Total | \$ 1,640,000 | \$ 230,590 |

Leases Payable

The Town was a lessee for the acquisition and use of equipment and land. As of September 30, 2022, the value of the equipment lease liability for governmental-type activities was \$9,100 and the value of the land lease liability for business-type activities was \$88,523. The Town made principal and interest payments on the leases in fiscal year 2022 for \$37,757. The Town will continue to make principal and interest payments on leases through the fiscal year 2027. The estimated incremental borrowing rate is 4%. The leases are amortized based on the term of the lease agreements which range from 39 to 60 months from the beginning of fiscal year 2022. The value of the right-to-use assets for fiscal year 2022 was \$92,412 and had accumulated amortization of \$38,662.

The future principal and interest lease payments as of September 30, 2022 were as follows:

| Governmental Activities | | | |
|--------------------------------|-----------------|---------------|-----------------|
| Fiscal Year | | | |
| Ending | Leases | | |
| Sep 30 | Principal | Interest | Total |
| 2023 | \$ 1,997 | \$ 345 | \$ 2,342 |
| 2024 | 2,083 | 259 | 2,342 |
| 2025 | 2,172 | 170 | 2,342 |
| 2026 | 2,266 | 76 | 2,342 |
| 2027 | 582 | 4 | 586 |
| Total | \$ 9,100 | \$ 854 | \$ 9,954 |

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

| Business-Type Activities | | | |
|---------------------------------|------------------|----------------------------|------------------|
| Fiscal Year | | | |
| Ending Sep 30 | Principal | Leases Interest | Total |
| 2023 | \$ 37,467 | \$ 3,033 | \$ 40,500 |
| 2024 | 40,629 | 1,371 | 42,000 |
| 2025 | 10,427 | 73 | 10,500 |
| Total | \$ 88,523 | \$ 4,477 | \$ 93,000 |

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, it could result in a substantial liability to the Town. The Town engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

F. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

| Transfer In | Transfer Out | Amounts |
|--------------------|---------------------|-------------------|
| General | Sewer | \$ 9,190 |
| Convention Center | Hotel/Motel Tax | 131,250 |
| | | \$ 140,440 |

Transfers to the general fund were subsidies for administrative expenditures. The other amounts transferred between funds are for reimbursements to the convention fund for costs related to hotel/motel tax restrictions.

The composition of interfund balances as of year end is as follows:

| Due To | Due From | Amount |
|---------------|-------------------|-------------------|
| General | Hotel/Motel Tax | 224 |
| General | Special Projects | 272,269 |
| General | Pier | 44,564 |
| General | Convention Center | 157,263 |
| Sewer | Convention Center | 15,185 |
| Pier | Special Projects | 4,657 |
| | | \$ 494,162 |

The amounts recorded as due to/from are considered to be a temporary loan and will be repaid during the following year.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

G. Restatement of Fund Balance/Net Position

Beginning fund balances in other governmental funds which included the police, donation, and hotel/motel reserve funds were restated to recognize the police and hotel/motel reserve funds as sub-funds within the general fund for \$99,303. The beginning fund balance for the Federal Emergency Management Agency (FEMA) grant fund was restated to reclass funds to the general fund for \$63,335, convention center fund for \$144,800, and the special projects fund for \$286,149 which was decreased by \$184,229 to record beginning unearned revenue balance for advanced grant funds received that were not spent and earned in prior year. The beginning fund balance for the general fund was also restated to correct other taxes receivables related to sales and mixed beverage taxes. As a result of these restatements, governmental activities beginning net position decreased by \$272,651 and business-type activities beginning net position increased by \$144,800.

Beginning net position for governmental activities and the convention center fund was restated for the recognition of a lease receivables, lease liability, deferred inflows from lease receivables, and right-to-use assets related to implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*, which has no impact on net position.

| | Other Governmental* | FEMA Grants | Special Projects | General | Governmental Activities |
|---|------------------------|----------------|---------------------|---------------------|----------------------------|
| Prior year ending fund balance as reported | \$ (93,750) | \$ 692,890 | \$ - | \$ 887,128 | \$ 3,549,769 |
| To reclassify fund balance | 99,303 | (692,890) | 286,149 | 162,638 | (144,800) |
| Other taxes receivables | - | - | - | 56,378 | 56,378 |
| GASB 87 adjustment for lease receivable | - | - | - | 23,874 | 23,874 |
| GASB 87 adjustment for deferred inflows | - | - | - | (23,874) | (23,874) |
| Adjustment for unearned revenue from prior year | - | - | (184,229) | - | (184,229) |
| Restated beginning fund balance/net position | <u>\$ 5,553</u> | <u>\$ -</u> | <u>\$ 101,920</u> | <u>\$ 1,106,144</u> | <u>\$ 3,277,118</u> |

*Other governmental funds only includes the donation fund as of fiscal yearend 2022.

| | Convention Center | Business-Type Activities |
|---|----------------------|-----------------------------|
| Prior year ending net position as reported | \$ 2,677,366 | \$ 6,288,720 |
| To reclassify fund balance | 144,800 | 144,800 |
| GASB 87 adjustment for right-to-use assets | 120,493 | 120,493 |
| GASB 87 adjustment for lease liability | (120,493) | (120,493) |
| Restated beginning net position | <u>\$ 2,822,166</u> | <u>\$ 6,433,520</u> |

IV. OTHER INFORMATION

A. Risk Management

The Town 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 Town participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The Town has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The Town has not

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting 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 amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Liabilities 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. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The Town participates as one of 901 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS does not receive any funding from the State. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmr.com.

All eligible employees of the Town are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the Town-financed monetary credits, with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member contributions and interest.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

The plan provisions are adopted by the governing body of the Town, within the options available in the state statutes governing TMRS. Plan provisions for the Town were as follows:

| | <u>2022</u> | <u>2021</u> |
|--|-------------|-------------|
| Employee deposit rate | 6.00% | 6.00% |
| Matching ratio (Town to employee) | 2 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 |
| Service requirement eligibility (expressed as age/yrs of service) | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 0% | 0% |
| Annuity increase (to retirees) | 0% of CPI | 0% of CPI |

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 4 |
| Inactive employees entitled to, but not yet receiving, benefits | 3 |
| Active employees | 6 |
| Total | <u>13</u> |

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the Town-matching ratios are either 1:1 (1 to 1), 1.5:1 (1½ to 1), or 2:1 (2 to 1), both as adopted by the governing body of the Town. Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary, using the Entry Age Normal actuarial cost method. The Town's contribution rate is based on the liabilities created from the benefit plan options selected by the Town and any changes in benefits or actual experience over time.

Employees for the Town were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 23.34% and 21.76% in calendar years 2021 and 2022, respectively. The Town's contributions to TMRS for the fiscal year ended September 30, 2022 were \$87,502 and were equal to the required contributions.

Net Pension Liability/(Asset)

The Town's Net Pension Liability/(Asset) (NPL/(A)) was measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 2.50% per year |
| Overall payroll growth | 2.75% per year |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-Distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The 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. The post-retirement mortality assumption for the annuity purchase rates is based on the mortality experience investigation study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation, as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

| Assets Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|----------------------------------|--------------------------|--|
| Global public equity | 35.00% | 7.55% |
| Core fixed income | 6.00% | 2.00% |
| Non-core fixed income | 20.00% | 5.68% |
| Other public and private markets | 12.00% | 7.22% |
| Real estate | 12.00% | 6.85% |
| Hedge funds | 5.00% | 5.35% |
| Private equity | 10.00% | 10.00% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, TMRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Changes in the NPL/(A)

| | Increase (Decrease) | | |
|---|--------------------------------|------------------------------------|--|
| | Total Pension Liability (A) | Plan Fiduciary Net Position (B) | Net Pension Liability/(Asset) (A) - (B) |
| Changes for the year: | | | |
| Service cost | \$ 40,716 | \$ - | \$ 40,716 |
| Interest | 41,062 | - | 41,062 |
| Difference between expected and actual experience | (66,688) | - | (66,688) |
| Contributions - employer | - | 82,609 | (82,609) |
| Contributions - employee | - | 20,074 | (20,074) |
| Net investment income | - | 65,602 | (65,602) |
| Benefit payments, including refunds of employee contributions | (33,368) | (33,368) | - |
| Administrative expense | - | (302) | 302 |
| Other changes | - | 1 | (1) |
| Net Changes | (18,278) | 134,616 | (152,894) |
| Balance at December 31, 2020 | 604,659 | 501,066 | 103,593 |
| Balance at December 31, 2021 | \$ 586,381 | \$ 635,682 | \$ (49,301) |

Sensitivity of the NPL/(A) to Changes in the Discount Rate

The following presents the NPL/(A) of the Town, calculated using the discount rate of 6.75%, as well as what the Town's NPL/(A) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1% Decrease in Discount Rate (5.75%) | Discount Rate (6.75%) | 1% Increase in Discount Rate (7.75%) |
|--------------------------------------|--|--------------------------|--|
| Town's Net Pension Liability/(Asset) | \$ 17,720 | \$ (49,301) | \$ (106,050) |

Pension Plan Fiduciary Net Position

Detailed information about TMRS's fiduciary net position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2022, the Town recognized pension expense of \$6,948.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

At September 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual economic experience | \$ 5,524 | \$ 49,676 |
| Changes in actuarial assumptions | 267 | - |
| Net difference between projected and actual investment earnings | - | 33,659 |
| Contributions subsequent to the measurement date | 60,224 | - |
| Total | \$ 66,015 | \$ 83,335 |

\$60,224 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL(A) for the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ended September 30 | Pension Expense |
|---|----------------------------|
| 2023 | \$ (18,447) |
| 2024 | (29,948) |
| 2025 | (22,792) |
| 2026 | (6,357) |
| Thereafter | - |
| Total | \$ (77,544) |

D. Other Postemployment Benefits

TMRS - Supplemental Death Benefits

Plan Description

The Town participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member entity contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death

TOWN OF FULTON, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2022

benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2021 is summarized below:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 4 |
| Inactive employees entitled to, but not yet receiving, benefits | - |
| Active employees | 6 |
| Total | <u>10</u> |

Total OPEB Liability

The Town's total OPEB liability of \$30,353 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------------|--|
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Discount rate* | 1.84% |
| Administrative expenses | All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68. |
| Mortality - service retirees | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| Mortality - 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 3.0% 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. |

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2023 rates as determined in the December 31, 2021 actuarial valuation.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|---|---------------------------------|
| Changes for the year: | |
| Service cost | \$ 1,874 |
| Interest | 647 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | (3,971) |
| Changes of assumptions | 881 |
| Benefit payments* | (1,004) |
| Net Changes | <u>(1,573)</u> |
| Balance at December 31, 2020 | 31,926 |
| Balance at December 31, 2021 | <u><u>\$ 30,353</u></u> |

* Benefit payments are treated as being equal to the employer's yearly contribution for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

The discount rate decreased from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | 1% Decrease (0.84%) | Discount Rate (1.84%) | 1% Increase (2.84%) |
|-----------------------------|--------------------------------|----------------------------------|--------------------------------|
| Town's total OPEB liability | \$ 36,839 | \$ 30,353 | \$ 25,374 |

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2022, the Town recognized OPEB expense of \$2,811. The Town reported deferred outflows/inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual economic experience | \$ 375 | \$ 4,990 |
| Changes in actuarial assumptions | 4,049 | 223 |
| Contributions subsequent to the measurement date | 647 | - |
| Total | <u>\$ 5,071</u> | <u>\$ 5,213</u> |

\$647 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2023.

TOWN OF FULTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2022

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ended September 30 | OPEB Expense |
|---|---------------------|
| 2023 | \$ 271 |
| 2024 | 25 |
| 2025 | (667) |
| 2026 | (418) |
| Thereafter | - |
| Total | \$ (789) |

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FULTON, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended September 30, 2022

| | Original Budget Amounts | Final Budget Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------------------|----------------------------|---------------------|---|
| <u>Revenues</u> | | | | |
| Property taxes | \$ 289,259 | \$ 289,259 | \$ 289,615 | \$ 356 |
| Sales taxes | 298,150 | 339,000 | 356,013 | 17,013 |
| Franchise fees and local taxes | 112,000 | 112,000 | 106,944 | (5,056) |
| Permits, licenses, and fees | 37,700 | 37,700 | 47,547 | 9,847 |
| Fines and forfeitures | 6,050 | 6,050 | 8,906 | 2,856 |
| Intergovernmental | 700 | 700 | 555 | (145) |
| Investment revenue | 300 | 300 | 2,808 | 2,508 |
| Miscellaneous revenue | 24,650 | 24,650 | 22,212 | (2,438) |
| Total Revenues | 768,809 | 809,659 | 834,600 | 24,941 |
| <u>Expenditures</u> | | | | |
| General administration | 423,402 | 441,077 | 428,814 | 12,263 |
| Public facilities | 10,000 | 18,000 | 24,056 | (6,056) * |
| Public safety | 265,400 | 280,575 | 330,416 | (49,841) * |
| Public transportation | 119,500 | 119,500 | 99,368 | 20,132 |
| Culture and recreation | 8,250 | 8,250 | 8,282 | (32) * |
| Capital outlay | 30,500 | 30,500 | 42,709 | (12,209) * |
| <u>Debt service:</u> | | | | |
| Principal | 1,481 | 1,481 | 1,481 | - |
| Interest expense | 276 | 276 | 276 | - |
| Total Expenditures | 858,809 | 899,659 | 935,402 | (35,743) |
| (Deficiency) of Revenues (Under) Expenditures | (90,000) | (90,000) | (100,802) | (10,802) |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Leases (as lessee) | - | - | 10,581 | 10,581 |
| Transfers in | 90,000 | 60,000 | 9,190 | (50,810) |
| Total Other Financing Sources (Uses) | 90,000 | 60,000 | 19,771 | (40,229) |
| Net Change in Fund Balance | \$ - | \$ (30,000) | (81,031) | \$ (51,031) |
| Beginning fund balance | | | 1,106,144 | |
| Ending Fund Balance | | | \$ 1,025,113 | |

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

TOWN OF FULTON, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2022

| | Measurement Year* | | | |
|---|--------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 |
| Total Pension Liability | | | | |
| Service cost | \$ 40,716 | \$ 29,719 | \$ 29,874 | \$ 27,569 |
| Interest (on the total pension liability) | 41,062 | 38,647 | 36,092 | 33,739 |
| Difference between expected and actual experience | (66,688) | 5,445 | 12,539 | 2,495 |
| Changes of assumptions | - | - | 1,014 | - |
| Benefit payments, including refunds of employee contributions | (33,368) | (53,677) | (29,502) | (30,702) |
| Net Change in Total Pension Liability | (18,278) | 20,134 | 50,017 | 33,101 |
| Beginning total pension liability | 604,659 | 584,525 | 534,508 | 501,407 |
| Ending Total Pension Liability | \$ 586,381 | \$ 604,659 | \$ 584,525 | \$ 534,508 |
| Plan Fiduciary Net Position | | | | |
| Contributions - employer | \$ 82,609 | \$ 55,209 | \$ 44,625 | \$ 37,831 |
| Contributions - employee | 20,074 | 14,664 | 13,982 | 12,695 |
| Net investment income | 65,602 | 34,363 | 56,723 | (10,718) |
| Benefit payments, including refunds of employee contributions | (33,368) | (53,677) | (29,502) | (30,702) |
| Administrative expense | (302) | (221) | (319) | (206) |
| Other | 1 | (8) | (10) | (12) |
| Net Change in Plan Fiduciary Net Position | 134,616 | 50,330 | 85,499 | 8,888 |
| Beginning plan fiduciary net position | 501,066 | 450,736 | 365,237 | 356,349 |
| Ending Plan Fiduciary Net Position | \$ 635,682 | \$ 501,066 | \$ 450,736 | \$ 365,237 |
| Net Pension Liability/(Asset) | \$ (49,301) | \$ 103,593 | \$ 133,789 | \$ 169,271 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 108.41% | 82.87% | 77.11% | 68.33% |
| Covered Payroll | \$ 334,564 | \$ 244,396 | \$ 233,030 | \$ 211,582 |
| Net Pension Liability/(Asset) as a Percentage of Covered Payroll | -14.74% | 42.39% | 57.41% | 80.00% |

*Only five years of information is currently available. The Town will build this schedule over the next five-year period.

| Measurement |
|-------------|
| Year* |
| 2017 |

| | |
|----|----------|
| \$ | 35,323 |
| | 31,517 |
| | 5,524 |
| | - |
| | (40,428) |
| | 31,936 |
| | 469,471 |
| \$ | 501,407 |

| | |
|----|----------|
| \$ | 50,529 |
| | 16,129 |
| | 40,336 |
| | (40,428) |
| | (208) |
| | (11) |
| | 66,347 |
| | 290,002 |
| \$ | 356,349 |
| \$ | 145,058 |

71.07%

| | |
|----|---------|
| \$ | 268,823 |
|----|---------|

53.96%

TOWN OF FULTON, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2022

| | Fiscal Year* | |
|---|--------------|------------|
| | 2022 | 2021 |
| Actuarially determined contribution | \$ 87,502 | \$ 65,900 |
| Contributions in relation to the actuarially determined contribution | 87,502 | 65,900 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Covered payroll | \$ 400,590 | \$ 289,253 |
| Contributions as a percentage of covered payroll | 21.84% | 22.78% |

*Only two years of information are currently available. The Town will build this schedule over the next eight-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | N/A |
| 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 December 31, 2014 - December 31, 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 Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |

3. Other Information:

There were no benefit changes during this year.

TOWN OF FULTON, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2022

| | Measurement Year* | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 |
| Total OPEB Liability | | | | |
| Service cost | \$ 1,874 | \$ 1,295 | \$ 909 | \$ 994 |
| Interest (on the total OPEB liability) | 647 | 834 | 834 | 802 |
| Difference between expected and actual experience | (3,971) | (3,748) | 1,134 | (1,805) |
| Change of assumptions | 881 | 3,957 | 4,946 | (1,591) |
| Benefit payments** | (1,004) | (196) | (140) | (42) |
| Net Change in Total OPEB Liability | (1,573) | 2,142 | 7,683 | (1,642) |
| Beginning total OPEB liability | 31,926 | 29,784 | 22,101 | 23,743 |
| Ending Total OPEB Liability | \$ 30,353 | \$ 31,926 | \$ 29,784 | \$ 22,101 |
| Covered Payroll | \$ 334,564 | \$ 244,396 | \$ 233,030 | \$ 211,582 |
| Total OPEB Liability as a Percentage of Covered Payroll | 9.07% | 13.06% | 12.78% | 10.45% |

* Only five years of information is currently available. The Town will build this schedule over the next five-year period.

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age normal |
| Inflation | 2.50% |
| Salary increases | 3.50% to 11.50% including inflation |
| Discount rate | 1.84% |
| Administrative expenses | All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68. |
| Mortality - service retirees | 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. |
| Mortality - 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 3.0% 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. |

3. Other Information:

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

There were no benefit changes during the year.

| Measurement | |
|-------------|---------|
| Year* | |
| 2017 | |
| | |
| \$ | 1,129 |
| | 775 |
| | - |
| | 1,941 |
| | (54) |
| | 3,791 |
| | 19,952 |
| \$ | 23,743 |
| \$ | 268,823 |
| | 8.83% |

SUPPLEMENTARY INFORMATION

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TOWN OF FULTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2022

| | Original Budget Amounts | Final Budget Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------------------|----------------------------|-------------------|---|
| Revenues | | | | |
| Property taxes | \$ 324,639 | \$ 324,639 | \$ 321,315 | \$ (3,324) |
| Total Revenues | <u>324,639</u> | <u>324,639</u> | <u>321,315</u> | <u>(3,324)</u> |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 240,000 | 240,000 | 240,000 | - |
| Interest and fiscal agent fees | 82,790 | 82,790 | 82,790 | - |
| Total Expenditures | <u>322,790</u> | <u>322,790</u> | <u>322,790</u> | <u>-</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>1,849</u> | <u>1,849</u> | <u>(1,475)</u> | <u>(3,324)</u> |
| Net Change in Fund Balance | <u>\$ 1,849</u> | <u>\$ 1,849</u> | <u>(1,475)</u> | <u>\$ (3,324)</u> |
| Beginning fund balance | | | <u>4,877</u> | |
| Ending Fund Balance | | | <u>\$ 3,402</u> | |

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

