

**REPORT OF THE AUDIT OF THE
FULTON COUNTY
FISCAL COURT**

**For The Year Ended
June 30, 2022**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Jim Martin, Fulton County Judge/Executive
Members of the Fulton County Fiscal Court

Report on the Audit of the Financial Statement

Opinions

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances – Regulatory Basis of the Fulton County Fiscal Court, for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Fulton County Fiscal Court's financial statement as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompany financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and changes in fund balances – regulatory basis of the Fulton County Fiscal Court, for the year ended June 30, 2022, in accordance with accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Fulton County Fiscal Court, for the year ended June 30, 2022, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Fiscal Court Audit Guide* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Fulton County Fiscal Court 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.



To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
 The Honorable Jim Martin, Fulton County Judge/Executive
 Members of the Fulton County Fiscal Court

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Fulton County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statement

Fulton County Fiscal Court's management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 statement.
- 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 Fulton County Fiscal Court'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 statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fulton County Fiscal Court's ability to continue as a going concern for a reasonable period of time.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Jim Martin, Fulton County Judge/Executive
Members of the Fulton County Fiscal Court

Auditor's Responsibilities for the Audit of the Financial Statement (Continued)

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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of the Fulton County Fiscal Court. The Budgetary Comparison Schedules are presented for purposes of additional analysis and are not a required part of the financial statement; however, they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statement as a whole.

Other Information

Management is responsible for the other information included in this report. The other information is comprised of the schedule of capital assets but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2023, on our consideration of the Fulton County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fulton County Fiscal Court's internal control over financial reporting and compliance.

To the People of Kentucky
The Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
The Honorable Jim Martin, Fulton County Judge/Executive
Members of the Fulton County Fiscal Court

Other Reporting Required by *Government Auditing Standards* (Continued)

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report findings:

- 2022-001 The Fulton County Fiscal Court Failed To Implement Adequate Internal Controls Over Accounting Functions And Financial Reporting Including Adequately Segregating Duties
- 2022-002 The Fulton County Fiscal Court's Outstanding Debt Balances Were Materially Misstated
- 2022-003 The Fulton County Fiscal Court Does Not Have Proper Oversight Of The Payroll Revolving Account
- 2022-004 The Fulton County Fiscal Court Failed To Approve Quarterly Financial Reports And An Annual Settlement
- 2022-005 The Fulton County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements
- 2022-006 The Fulton County Fiscal Court Exceeded Budget Appropriations For Fiscal Year 2022

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

February 20, 2023

FULTON COUNTY OFFICIALS**For The Year Ended June 30, 2022****Fiscal Court Members:**

Jim Martin	County Judge/Executive
Wade Adams	Magistrate
Hugh Caldwell	Magistrate
Jim Paitsel	Magistrate
Shaun Parks	Magistrate

Other Elected Officials:

Amanda Major	County Attorney
Steven Williams	Jailer
Naomi Jones	County Clerk
Jaime Matthews	Circuit Court Clerk
Derek Goodson	Sheriff
Pete Morgan	Property Valuation Administrator
Matt Moss	Coroner

Appointed Personnel:

Leslie Woods	County Treasurer
Carol Parker	Finance Officer

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FULTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2022

FULTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2022

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 926,430	\$	\$
In Lieu Tax Payments	38,756		
Excess Fees	77,484		
Licenses and Permits	5,234		
Intergovernmental	515,261	1,239,786	5,403,396
Charges for Services			2,238
Miscellaneous	797,097	22,892	336,049
Interest	9,918	24,456	8,049
Total Receipts	<u>2,370,180</u>	<u>1,287,134</u>	<u>5,749,732</u>
DISBURSEMENTS			
General Government	1,179,958		
Protection to Persons and Property	1,016,205		3,854,859
General Health and Sanitation	9,069		
Social Services	32,250		
Recreation and Culture			
Transportation Facility and Services		3,596	
Roads		581,194	
Other Transportation Facilities and Services		20,373	
Debt Service		139,693	356,359
Capital Projects	6,828	113,200	
Administration	519,140	98,428	1,069,442
Total Disbursements	<u>2,763,450</u>	<u>956,484</u>	<u>5,280,660</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(393,270)</u>	<u>330,650</u>	<u>469,072</u>
Other Adjustments to Cash (Uses)			
Bond Anticipation Note Proceeds	1,043,000		
Bond Discount	(41,666)		
Change In Payroll Revolving Account	(55,276)		
Transfers From Other Funds			
Transfers To Other Funds			(29,750)
Total Other Adjustments to Cash (Uses)	<u>946,058</u>		<u>(29,750)</u>
Net Change in Fund Balance	552,788	330,650	439,322
Fund Balance - Beginning	371,392	1,716,456	832,412
Fund Balance - Ending	<u>\$ 924,180</u>	<u>\$ 2,047,106</u>	<u>\$ 1,271,734</u>
Composition of Fund Balance			
Bank Balance	\$ 902,811	\$ 2,047,705	\$ 1,272,294
Payroll Account Reconciled Balance	32,104		
Less: Outstanding Checks	(10,735)	(599)	(560)
Fund Balance - Ending	<u>\$ 924,180</u>	<u>\$ 2,047,106</u>	<u>\$ 1,271,734</u>

The accompanying notes are an integral part of the financial statement.

FULTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

Budgeted Funds				
Local Government Economic Assistance Fund	Disaster Emergency Services Fund	Fire Rescue Construction Fund	Ambulance Reserve Fund	American Recovery Plan Act Fund
\$	\$	\$	\$	\$
	16,893		70,200	
		343,526		
		331	13,616	3,489
	16,893	343,857	83,816	3,489
	10,858			
	10,858			
	6,035	343,857	83,816	3,489
			29,750	
			29,750	
	6,035	343,857	113,566	3,489
	2,323		1,041,476	579,923
\$ 0	\$ 8,358	\$ 343,857	\$ 1,155,042	\$ 583,412
\$	\$ 8,458	\$ 343,857	\$ 1,155,042	\$ 583,412
	(100)			
\$ 0	\$ 8,358	\$ 343,857	\$ 1,155,042	\$ 583,412

The accompanying notes are an integral part of the financial statement.

FULTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2022
(Continued)

	<u>Unbudgeted Fund</u>	
	<u>Jail Commissary Fund</u>	<u>Total Funds</u>
RECEIPTS		
Taxes	\$	\$ 926,430
In Lieu Tax Payments		38,756
Excess Fees		77,484
Licenses and Permits		5,234
Intergovernmental		7,245,536
Charges for Services		345,764
Miscellaneous	219,470	1,375,508
Interest	112	59,971
Total Receipts	<u>219,582</u>	<u>10,074,683</u>
DISBURSEMENTS		
General Government		1,179,958
Protection to Persons and Property		4,881,922
General Health and Sanitation		9,069
Social Services		32,250
Recreation and Culture	202,943	202,943
Transportation Facility and Services		3,596
Roads		581,194
Other Transportation Facilities and Services		20,373
Debt Service		496,052
Capital Projects		120,028
Administration		1,687,010
Total Disbursements	<u>202,943</u>	<u>9,214,395</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>16,639</u>	<u>860,288</u>
Other Adjustments to Cash (Uses)		
Bond Anticipation Note Proceeds		1,043,000
Bond Discount		(41,666)
Change In Payroll Revolving Account		(55,276)
Transfers From Other Funds		29,750
Transfers To Other Funds		(29,750)
Total Other Adjustments to Cash (Uses)	<u></u>	<u>946,058</u>
Net Change in Fund Balance	16,639	1,806,346
Fund Balance - Beginning	<u>325,323</u>	<u>4,869,305</u>
Fund Balance - Ending	<u>\$ 341,962</u>	<u>\$ 6,675,651</u>
Composition of Fund Balance		
Bank Balance	\$ 356,388	\$ 6,669,967
Payroll Account Reconciled Balance		32,104
Less: Outstanding Checks	<u>(14,426)</u>	<u>(26,420)</u>
Fund Balance - Ending	<u>\$ 341,962</u>	<u>\$ 6,675,651</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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**FULTON COUNTY
NOTES TO FINANCIAL STATEMENT**

June 30, 2022

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Fulton County includes all budgeted and unbudgeted funds under the control of the Fulton County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds, and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act for and on behalf of, and as the agency and instrumentality of the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal governments, payments from other counties for housing prisoners, and transfers from the general fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the general fund.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Disaster Emergency Services Fund - The primary purpose of this fund is to account for some emergency management expenses of the county. The primary source of receipts for this fund is state government.

Fire Rescue Construction Fund - The primary purpose of this fund is to account for repair and/or construction expenses for the fire rescue building. The primary sources of receipts are insurance reimbursements.

Ambulance Reserve Fund - The primary purpose of this fund is to hold funds that will be used to pay the jail's debt upon maturity. The primary sources of receipts are funds received related to notes receivable.

American Recovery Plan Act Fund - The primary purpose of this fund is to account for funds received from the federal government.

Unbudgeted Fund

The fiscal court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

The state local finance officer does not require the jail commissary fund to be budgeted because the fiscal court does not approve the expenses of this fund.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fulton County Elected Officials

Kentucky law provides for election of the officials listed below from the geographic area constituting Fulton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Fulton County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Related Obligations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of the Fulton County Fiscal Court:

Fulton County Levee Board
 New Madrid Levee Board

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 2. Deposits

The fiscal court maintains deposits of public funds with federally insured banking institutions as required by the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual*. The DLG Manual strongly recommends perfected pledges of securities covering all public funds except direct federal obligations and funds protected by federal insurance. In order to be perfected in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of the DLG *County Budget Preparation and State Local Finance Officer Policy Manual*. As of June 30, 2022, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2022.

	<u>Jail Fund</u>	<u>Total Transfers In</u>
Ambulance Reserve Fund	\$ 29,750	\$ 29,750
Total Transfers Out	<u>\$ 29,750</u>	<u>\$ 29,750</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Custodial Funds

Custodial funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. In accordance with the regulatory basis of accounting, custodial funds are not presented on the financial statement.

The fiscal court has the following custodial funds:

Jail Inmate Fund - This fund accounts for funds received belonging to the inmates. The balance in the jail inmate account as of June 30, 2022 was \$102,888.

Jail Escrow Fund - This fund accounts for funds belonging to former inmates that the jailer is unable to locate. The balance in the jail escrow fund as of June 30, 2022 was \$9,041.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 5. Leases

A. Lessor

During the current fiscal year, Fulton County leased office space in the old courthouse to the Administrative Office of the Courts (AOC). The lease is for one year and Fulton County will receive monthly payments of \$12,158. Fulton County recognized \$145,900 in lease revenue during the current fiscal year related to this lease. As of June 30, 2022, Fulton County's receivable for lease payments was \$0.

B. Lessee

Fulton County entered into a multi-year lease agreement as lessee for the use of office equipment (copiers). An initial lease liability was recorded in the amount of \$26,460. As of June 30, 2022, the value of the lease liability was \$881. Fulton County is required to make monthly principal payments of \$441.

Note 6. Receivable

On December 15, 2017, the Fulton County Fiscal Court executed a note receivable with Twin City Ambulance, Inc., dba Ken-Tenn EMS, in the amount of \$373,186 for the purchase of two ambulances. The note is to be repaid in 120 monthly installments of \$3,710 at an interest rate of 3.61 percent. The maturity date of the note is February 15, 2028. The Fulton County Fiscal Court has set up the ambulance reserve fund to account for payments received on the note. As of June 30, 2022, the outstanding balance of the note was \$166,452.

Note 7. Long-term Debt

A. Direct Borrowings and Direct Placements

1. Dump Truck and Road Grader

On November 13, 2019, Fulton County entered a promissory note with Security Bank and Trust Company in the amount of \$199,000 for the purpose of purchasing a dump truck and road grader. Principal and interest, which is calculated at a fixed rate of 3.05 percent, is due monthly beginning December 13, 2019. The loan is secured by the dump truck and road grader. In the event of default, the lender may declare all indebtedness of the county to the lender immediately due and payable. In the event of default, the dump truck and road grader will be repossessed by the financial institution. As of June 30, 2022, the balance of the loan had been paid in full.

2. KACO Lease - Detention Center Refinance

In March 2018, Fulton County entered into a lease agreement with the Kentucky Association of Counties Finance Corporation in the amount of \$2,710,000 at a rate of 2.4 percent for the purpose of refinancing the Fulton County Detention Facility Annex #1 and Annex #2 and constructing Annex #3. Monthly principal and interest payments are due until maturity in December 2034. In the event of default, the lessor will take legal title to, and sell or re-lease the project or any portion thereof. The ending principal balance as of June 30, 2022 was \$2,147,500. Future principal and interest requirements are as follows:

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

2. KACO Lease - Detention Center Refinance (Continued)

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 150,000	\$ 82,030
2024	157,500	75,655
2025	162,500	68,961
2026	170,000	54,830
2027	177,500	50,224
2028-2032	970,000	178,330
2032-2035	<u>360,000</u>	<u>23,820</u>
Totals	<u>\$ 2,147,500</u>	<u>\$ 533,850</u>

3. KACO Lease - Detention Center Kitchen

In October 2017, Fulton County entered into a lease agreement with the Kentucky Association of Counties Finance Corporation in the amount of \$1,720,000. The primary purpose of the lease was for the construction of a new kitchen facility at the Fulton County Detention Center. The lease has a variable interest rate of approximately 3.14 percent. Principal and interest payments are due monthly beginning December 1, 2017 until maturity in February 2038. In the event of default, the lessor will take legal title to, and sell or re-lease the project or any portion thereof. The ending principal balance as of June 30, 2022 was \$1,440,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$ 70,000	\$ 55,404
2024	72,500	52,429
2025	75,000	49,348
2026	77,500	46,160
2027	82,500	42,867
2028-2032	457,500	163,445
2033-2037	545,000	80,245
2038	<u>60,000</u>	<u>3,027</u>
Totals	<u>\$ 1,440,000</u>	<u>\$ 492,925</u>

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (Continued)

4. Bond Anticipation Note – Tornado Damage

In April 2022, Fulton County entered into an agreement with the Kentucky Association of Counties Finance Corporation in the amount of \$1,043,000 for a bond anticipation note, for the purpose of paying, on an interim basis, the costs associated with clean-up resulting from tornado damage. A one-time balloon payment is due on March 20, 2024. The ending principal balance as of June 30, 2022 was \$1,043,000. Future principal and interest requirements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2023	\$	\$
2024	<u>1,043,000</u>	<u>15,645</u>
Totals	<u>\$ 1,043,000</u>	<u>\$ 15,645</u>

B. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct Borrowings and Direct Placements	<u>\$ 3,936,655</u>	<u>\$ 1,043,000</u>	<u>\$ 349,155</u>	<u>\$ 4,630,500</u>	<u>\$ 220,000</u>
Total Long-term Debt	<u>\$ 3,936,655</u>	<u>\$ 1,043,000</u>	<u>\$ 349,155</u>	<u>\$ 4,630,500</u>	<u>\$ 220,000</u>

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 7. Long-term Debt (Continued)

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations as of June 30, 2022, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2023	\$ 220,000	\$ 137,434
2024	1,273,000	143,729
2025	237,500	118,309
2026	247,500	108,215
2027	260,000	97,696
2028-2032	1,427,500	341,775
2033-2037	905,000	104,047
2038	60,000	3,027
Totals	<u>\$ 4,630,500</u>	<u>\$ 1,054,232</u>

Note 8. Employee Retirement System

The fiscal court has elected to participate, pursuant to KRS 78.530, in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (Ky. Ret. Sys.). This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Effective April 1, 2021, the Kentucky Public Pension Authority (KPPA) was created by KRS 61.505 to provide staffing and daily administrative needs for CERS and Ky. Ret. Sys. The CERS nine (9) member board of trustees is responsible for the governance of the CERS pension and insurance plans.

The county's contribution for FY 2020 was \$688,020, FY 2021 was \$601,118, and FY 2022 was \$770,059.

Nonhazardous

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6 percent of their salary to be allocated as follows: 5 percent will go to the member's account and 1 percent will go to the Ky. Ret. Sys. insurance fund.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own accounts.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

Nonhazardous covered employees contribute 5 percent of their annual creditable compensation. Nonhazardous members also contribute 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Ky. Ret. Sys. Board of Directors based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent employer pay credit. The employer pay credit represents a portion of the employer contribution.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008, must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

The county's contribution rate for nonhazardous employees was 26.95 percent.

Other Post-Employment Benefits (OPEB)

A. Health Insurance Coverage - Tier 1

CERS provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Benefits are covered under KRS 78.5536.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 8. Employee Retirement System (Continued)

B. Health Insurance Coverage - Tier 2 and Tier 3 - Nonhazardous

Once members reach a minimum vesting period of 15 years, they earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually by 1.5 percent. This was established for Tier 2 members during the 2008 Special Legislative Session by House Bill 1. During the 2013 Legislative Session, Senate Bill 2 was enacted, creating Tier 3 benefits for members.

The monthly insurance benefit has been increased annually as a 1.5 percent cost of living adjustment (COLA) since July 2003 when the law changed. The annual increase is cumulative and continues to accrue after the member's retirement.

Tier 2 member benefits are covered by KRS 78.5536. Tier 3 members are not covered by the same provisions.

C. Cost of Living Adjustments - Tier 1

The 1996 General Assembly enacted an automatic cost of living adjustment (COLA) provision for all recipients of Ky. Ret. Sys. benefits. During the 2008 Special Session, the General Assembly determined that each July beginning in 2009, retirees who have been receiving a retirement allowance for at least 12 months will receive an automatic COLA of 1.5 percent. The COLA is not a guaranteed benefit. If a retiree has been receiving a benefit for less than 12 months, and a COLA is provided, it will be prorated based on the number of months the recipient has been receiving a benefit.

D. Cost of Living Adjustments - Tier 2 and Tier 3

No COLA is given unless authorized by the legislature with specific criteria. To this point, no COLA has been authorized by the legislature for Tier 2 or Tier 3 members.

E. Death Benefit

If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KPPA will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

Annual Financial Report and Proportionate Share Audit Report

Ky. Ret. Sys. issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Public Pensions Authority, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

KPPA also issues proportionate share audit reports for both total pension liability and other post-employment benefits for CERS determined by actuarial valuation as well as each participating county's proportionate share. Both the Schedules of Employer Allocations and Pension Amounts by Employer and the Schedules of Employer Allocations and OPEB Amounts by Employer reports and the related actuarial tables are available online at <https://kyret.ky.gov>. The complete actuarial valuation report, including all actuarial assumptions and methods, is also available on the website or can be obtained as described in the paragraph above.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2022
(Continued)

Note 9. Deferred Compensation

The Fulton County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax-sheltered supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd Floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 10. Health Reimbursement Account/Flexible Spending Account

The Fulton County Fiscal Court offers a flexible spending program to all county employees which is to provide employees an additional health benefit. The county has contracted with a third-party administrator to manage the plan. The plan provides a debit card to each eligible employee, providing \$2,100 for employees who waive health insurance coverage, \$3,000 each year for employees who have single coverage, and \$5,400 each year for employees who have a family plan. Employees may contribute additional pre-tax funds through payroll deductions. As of June 30, 2022, the balance of the plan was \$73,032.

Note 11. Insurance

For the fiscal year ended June 30, 2022, the Fulton County Fiscal Court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Payroll Revolving Account

The change in payroll revolving account balance of (\$55,276) as of June 30, 2022 was added to the general fund cash balance for financial reporting purposes.

Note 13. Conduit Debt

From time to time the county has provided financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Fulton County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

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FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2022

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 783,100	\$ 783,100	\$ 926,430	\$ 143,330
In Lieu Tax Payments	41,300	41,300	38,756	(2,544)
Excess Fees	1,100	1,100	77,484	76,384
Licenses and Permits	4,000	4,000	5,234	1,234
Intergovernmental	491,400	491,400	515,261	23,861
Charges for Services	1,000	1,000		(1,000)
Miscellaneous	249,491	249,491	797,097	547,606
Interest	10,500	10,500	9,918	(582)
Total Receipts	1,581,891	1,581,891	2,370,180	788,289
DISBURSEMENTS				
General Government	1,017,252	1,121,528	1,179,958	(58,430)
Protection to Persons and Property	388,612	1,896,470	1,016,205	880,265
General Health and Sanitation	13,120	18,600	9,069	9,531
Social Services	10,500	33,750	32,250	1,500
Recreation and Culture	1,500	1,500		1,500
Airports	3,000	3,000		3,000
Capital Projects	20,000	20,000	6,828	13,172
Administration	1,202,082	562,552	519,140	43,412
Total Disbursements	2,656,066	3,657,400	2,763,450	893,950
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,074,175)	(2,075,509)	(393,270)	1,682,239
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds		1,001,334	1,043,000	41,666
Bond Discount			(41,666)	(41,666)
Transfers From Other Funds	160,330	160,330		(160,330)
Total Other Adjustments to Cash (Uses)	160,330	1,161,664	1,001,334	(160,330)
Net Change in Fund Balance	(913,845)	(913,845)	608,064	1,521,909
Fund Balance - Beginning	913,845	913,845	284,013	(629,832)
Fund Balance - Ending	\$ 0	\$ 0	\$ 892,077	\$ 892,077

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,718,577	\$ 1,718,577	\$ 1,239,786	\$ (478,791)
Miscellaneous	23,500	23,500	22,892	(608)
Interest	25,000	25,000	24,456	(544)
Total Receipts	1,767,077	1,767,077	1,287,134	(479,943)
DISBURSEMENTS				
Transportation Facilities and Services	5,000	5,000	3,596	1,404
Roads	616,865	639,385	581,194	58,191
Other Transportation Facilities and Services	35,400	35,400	20,373	15,027
Debt Service	43,100	143,278	139,693	3,585
Capital Projects	625,000	625,000	113,200	511,800
Administration	2,025,418	1,902,720	98,428	1,804,292
Total Disbursements	3,350,783	3,350,783	956,484	2,394,299
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,583,706)	(1,583,706)	330,650	1,914,356
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(133,330)	(133,330)		133,330
Total Other Adjustments to Cash (Uses)	(133,330)	(133,330)		133,330
Net Change in Fund Balance	(1,717,036)	(1,717,036)	330,650	2,047,686
Fund Balance - Beginning	1,717,036	1,717,036	1,716,456	(580)
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,047,106	\$ 2,047,106

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 6,030,752	\$ 6,030,752	\$ 5,403,396	\$ (627,356)
Charges for Services	3,500	3,500	2,238	(1,262)
Miscellaneous	986,438	986,438	336,049	(650,389)
Interest	15,000	15,000	8,049	(6,951)
Total Receipts	<u>7,035,690</u>	<u>7,035,690</u>	<u>5,749,732</u>	<u>(1,285,958)</u>
DISBURSEMENTS				
Protection to Persons and Property	4,948,288	5,040,135	3,854,859	1,185,276
Debt Service	354,573	414,573	356,359	58,214
Administration	<u>1,728,064</u>	<u>1,576,217</u>	<u>1,069,442</u>	<u>506,775</u>
Total Disbursements	<u>7,030,925</u>	<u>7,030,925</u>	<u>5,280,660</u>	<u>1,750,265</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>4,765</u>	<u>4,765</u>	<u>469,072</u>	<u>464,307</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(375,000)</u>	<u>(375,000)</u>	<u>(29,750)</u>	<u>345,250</u>
Total Other Adjustments to Cash (Uses)	<u>(375,000)</u>	<u>(375,000)</u>	<u>(29,750)</u>	<u>345,250</u>
Net Change in Fund Balance	<u>(370,235)</u>	<u>(370,235)</u>	<u>439,322</u>	<u>809,557</u>
Fund Balance - Beginning	<u>370,235</u>	<u>370,235</u>	<u>832,412</u>	<u>462,177</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,271,734</u>	<u>\$ 1,271,734</u>

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 500	\$ 500	\$	\$ (500)
Total Receipts	500	500		(500)
DISBURSEMENTS				
Roads	500	500		500
Total Disbursements	500	500		500
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

DISASTER EMERGENCY SERVICES FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 10,400	\$ 10,400	\$ 16,893	\$ 6,493
Miscellaneous	1,000	1,000		(1,000)
Total Receipts	11,400	11,400	16,893	5,493
DISBURSEMENTS				
Protection to Persons and Property	12,500	12,800	10,858	1,942
Administration	1,223	923		923
Total Disbursements	13,723	13,723	10,858	2,865
Net Change in Fund Balance	(2,323)	(2,323)	6,035	8,358
Fund Balance - Beginning	2,323	2,323	2,323	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,358</u>	<u>\$ 8,358</u>

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

FIRE RESCUE CONSTRUCTION FUND			
	Budgeted Amounts		Variance with
	Original	Final	Final Budget Positive (Negative)
RECEIPTS			
Charges for Services	\$	\$	\$ 343,526
Interest			331
Total Receipts			343,857
DISBURSEMENTS			
Administration			
Total Disbursements			
Net Change in Fund Balance			343,857
Fund Balance - Beginning			
Fund Balance - Ending	\$ 0	\$ 0	\$ 343,857

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

AMBULANCE RESERVE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 405,600	\$ 405,600	\$ 70,200	\$ (335,400)
Interest			13,616	13,616
Total Receipts	405,600	405,600	83,816	(321,784)
DISBURSEMENTS				
Debt Service	1,455,187	1,455,187		1,455,187
Administration	407,013	407,013		407,013
Total Disbursements	1,862,200	1,862,200		1,862,200
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,456,600)	(1,456,600)	83,816	1,540,416
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	348,000	348,000	29,750	(318,250)
Total Other Adjustments to Cash (Uses)	348,000	348,000	29,750	(318,250)
Net Change in Fund Balance	(1,108,600)	(1,108,600)	113,566	1,222,166
Fund Balance - Beginning	1,108,600	1,108,600	1,041,476	(67,124)
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,155,042	\$ 1,155,042

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2022
(Continued)

AMERICAN RECOVERY PLAN ACT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 575,419	\$ 575,419	\$	\$ (575,419)
Interest			3,489	3,489
Total Receipts	575,419	575,419	3,489	(571,930)
DISBURSEMENTS				
Administration	1,159,408	1,159,408		1,159,408
Total Disbursements	1,159,408	1,159,408		1,159,408
Net Change in Fund Balance	(583,989)	(583,989)	3,489	587,478
Fund Balance - Beginning	583,989	583,989	579,923	(4,066)
Fund Balance - Ending	\$ 0	\$ 0	\$ 583,412	\$ 583,412

FULTON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2022

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting according to the laws of Kentucky as required by the state local finance officer, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board.

The county judge/executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the state local finance officer. Disbursements may not exceed budgeted appropriations at the activity level.

Note 2. Reconciliation of the General Fund

Other Adjustment to Cash (Uses) - Budgetary Basis	\$ 1,001,334
To Adjust For - Change in Payroll Revolving Account	<u>(55,276)</u>
Other Adjustments to Cash (Uses) - Regulatory Basis	<u>\$ 946,058</u>
Fund Balance - Beginning Balance - Budgetary Basis	\$ 284,013
To Adjust For - Payroll Revolving Account	<u>87,379</u>
Fund Balance - Beginning Balance - Regulatory Basis	<u>\$ 371,392</u>
Fund Balance - Ending Balance - Budgetary Basis	\$ 892,077
To Adjust For - Payroll Revolving Account	<u>32,103</u>
Fund Balance - Ending Balance - Regulatory Basis	<u>\$ 924,180</u>

Note 3. Excess of Disbursements Over Appropriations

The general fund, general government line item, exceeded budgeted appropriations by \$58,430.

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FULTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

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FULTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2022

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 138,103	\$ 155,777	\$	\$ 293,880
Buildings	15,867,001	6,000	172,900	15,700,101
Vehicles and Equipment	3,511,610	144,393	72,856	3,583,147
Infrastructure	29,502,538	239,334		29,741,872
 Total Capital Assets	 <u>\$ 49,019,252</u>	 <u>\$ 545,504</u>	 <u>\$ 245,756</u>	 <u>\$ 49,319,000</u>

FULTON COUNTY
NOTES TO OTHER INFORMATION - REGULATORY BASIS
SCHEDULE OF CAPITAL ASSETS

June 30, 2022

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture, and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 2,500	15-30
Buildings	\$ 2,500	10-60
Vehicles and Equipment	\$ 2,500	3-25
Infrastructure	\$ 2,500	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

The Honorable Jim Martin, Fulton County Judge/Executive
Members of the Fulton County Fiscal Court

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Fulton County Fiscal Court for the fiscal year ended June 30, 2022, and the related notes to the financial statement which collectively comprise the Fulton County Fiscal Court's financial statement and have issued our report thereon dated February 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Fulton County Fiscal Court's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Fulton County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fulton County Fiscal Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2022-001, 2022-002, 2022-003, 2022-004, 2022-005, and 2022-006 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fulton County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2022-001, 2022-002, 2022-003, 2022-004, 2022-005, and 2022-006.

Views of Responsible Official and Planned Corrective Action

Fulton County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts
Frankfort, Ky

February 20, 2023

**FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

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**FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2022

FINANCIAL STATEMENT FINDINGS:

2022-001 The Fulton County Fiscal Court Failed To Implement Adequate Internal Controls Over Accounting Functions And Financial Reporting Including Adequately Segregating Duties

This is a repeat finding and was included in the prior year audit report as findings 2021-001 and 2021-002. The Fulton County Fiscal Court lacks adequate segregation of duties and failed to provide proper oversight and monitoring of accounting functions and financial reporting. The treasurer was responsible for preparing monthly, quarterly, and annual financial reports, preparing debt schedules, and reconciling bank accounts. There were no functioning internal controls in place to monitor, provide oversight, or check the work performed by the county treasurer which allowed the county treasurer to have total control over the accounting and reporting functions.

The following deficiencies and reporting errors occurred due to the lack of internal controls, including the lack of segregation of duties, over accounting and reporting:

- Monthly bank reconciliations were not performed for any of the county's funds.
- Budgetary amounts reported on the fourth quarter financial statement were materially overstated. Receipts were overstated by \$343,890 in the fire rescue fund and \$15,200 in the clerk storage fund. Disbursements were overstated in the ARPA fund by \$1,159,408 and in various other funds by \$48,050.
- The fourth quarter financial statement summary section did not agree to the reconciliation section. Cash balances varied by \$2,048,609 on the face of the fourth quarter financial statement.
- The reported beginning fund cash balances were overstated by \$963,807 and ending fund cash balances were overstated by \$945,927 when reconciled to bank records.
- Receipts were understated by \$109,024 due to unrecorded deposits.
- Disbursements were understated by \$132,812 due to unrecorded payroll transactions processed in the payroll account.
- As reported in finding 2022-002, outstanding debt balances do not agree with the long-term liabilities section of the fourth quarter financial statement.
- As reported in finding 2022-003, the payroll revolving account is not properly reconciled.

While it may be customary for the county treasurer to perform these functions, the fiscal court failed to adequately segregate the duties involved. The fiscal court also failed to establish an adequate system of oversight and internal controls to ensure that receipts and disbursements were properly recorded; completed bank reconciliations were accurate and agreed to financial records; and fund balances, cash balances, and outstanding debt balances were accurately reported. Instead, the county placed reliance on the county treasurer, and chose not to scrutinize the discrepancies noted on the monthly reports. Additionally, the county treasurer stated that the monthly treasurer's reports were presented but that the quarterly reports were not presented because they did not balance.

The lack of adequate segregation of duties, coupled with a lack of adequate management oversight, provided an environment in which an individual could manipulate financial records and misappropriate or misdirect county funds. The deficiencies, noncompliances, and undetected errors noted above occurred without detection.

The beginning and ending fund balances were overstated primarily because the amounts recorded for payroll expenditures did not agree with the amounts transferred to the payroll revolving account. The fiscal court relies on information presented on the quarterly financial reports to make financial decisions affecting the county. Therefore, this inaccurate financial information, including inflated budgetary and cash balance amounts, could affect fiscal court's ability to make well-informed financial decisions.

FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-001 The Fulton County Fiscal Court Failed To Implement Adequate Internal Controls Over Accounting Functions And Financial Reporting Including Adequately Segregating Duties (Continued)

Strong internal controls including the segregation of duties over various accounting functions such as recording receipts and disbursements, performing bank reconciliations, and preparing monthly, quarterly, and annual financial reports are vital in ensuring the financial reports accurately reflect the financial activity of the fiscal court as well as ensuring adherence to applicable laws and regulations. These internal controls are essential for providing protection from asset misappropriation and inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts which is outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* (DLG Budget Manual). The DLG Budget Manual requires officials to maintain complete and accurate financial records which are reconciled monthly and submit quarterly reports to the Department for Local Government by the 30th day following the close of each quarter.

KRS 68.020(4) states that county treasurer, “shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of account of the financial transactions of the county in the manner required by the uniform system of accounting prescribed by the state local finance officer.”

KRS 68.360(1) states, “[t]he county treasurer shall balance his books on the first day of each month, so as to show the correct amount on hand belonging to each fund on the day the balance is made, and shall within ten (10) days file with the county judge/executive and members of the fiscal court a monthly statement containing a list of warrants paid by him during the month, showing all cash receipts and the cash balance at the beginning and at the end of the month, and certifying that each warrant or contract is within the budget appropriation.”

Additionally, KRS 68.360(2) states, “[t]he county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund. The county judge/executive shall post the statement in a conspicuous place in the courthouse near the front door for at least ten (10) consecutive days and transmit a copy to the fiscal court and to the state-local finance officer. The statement shall be read at the next meeting of the fiscal court.”

We recommend the fiscal court segregate the duties involved in recording receipts and disbursements, reconciling bank accounts, and preparing monthly, quarterly, and annual financial reports so that one individual does not have control over the accounting functions. If segregation of duties is not possible, appropriate management oversight should be provided to ensure the completion of accurate, timely financial reports, including budgetary amounts, actual receipts and disbursements, as well as cash balances. This oversight should include a documented review of financial reports by management to verify amounts recorded and reported are accurate. We also recommend the fiscal court scrutinize any unusual amounts or variances noted on the quarterly reports.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We recognize a weakness in our accounting and reporting of county financials. This matter has been existing for some time. We have hired a consulting CPA to assist in correcting these issues. I believe that as of August 2022 we have corrected the major cause for this deficiency. I have examined the indicated sources of this finding and believe we have corrected each of the reported deficiencies. The majority of this finding centers around a continuing payroll reporting and accounting issue that we have corrected.

FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-002 The Fulton County Fiscal Court's Outstanding Debt Balances Were Materially Misstated

This is a repeat finding and was included in the prior year audit report as finding 2021-005. For the fiscal year ending June 30, 2022, the Fulton County Fiscal Court reported outstanding debt principal of \$4,657,250 and outstanding interest of \$45,395 on the fourth quarter financial statement submitted to the Department for Local Government. However, the confirmed outstanding principal balance was \$4,630,500, and the outstanding interest balance was \$1,054,232 thereby resulting in variances of \$(26,750) and \$1,008,837, respectively.

This condition is also the result of the lack of segregation of duties and fiscal court's failure to establish adequate internal controls as reported in finding 2021-001. Further, fiscal court failed to provide adequate oversight to ensure outstanding debt obligations were accurately reported. As a result, the outstanding debt obligations reported on the fourth quarter financial report were understated by \$982,087. Additionally, because outstanding liabilities were not accurately reported, the fiscal court cannot make effective management decisions relating to debt service.

Strong internal controls require accurate debt information be presented in order for the fiscal court to make informed financial decisions during budget preparation or when making large purchases.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* requires accurate financial reports be maintained and submitted, which includes the schedule of liabilities.

We recommend the Fulton County Fiscal Court implement internal control procedures to ensure outstanding principal and interest balances are accurately reported. At a minimum, the fiscal court should review debt schedules and the debt liabilities section of the quarterly financial statements to ensure that outstanding principal and interest are reported accurately.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: The origin of this finding is that the Treasurer was posting long term debt liabilities from the original amortization schedule on long term notes the county has at the jail. She should have posted monthly from the monthly billing statement from the lender. This situation is an easy fix and has been corrected and will not reflect in future audit reports.

2022-003 The Fulton County Fiscal Court Does Not Have Proper Oversight Of The Payroll Revolving Account

This is a repeat finding and was included in the prior year audit report as finding 2021-006. The fiscal court lacks adequate controls over the payroll process. The payroll account is not reconciled to the payroll reports or the disbursements ledgers. Incorrect amounts are being transferred from the operating funds to the payroll revolving account and amounts being posted for payroll expenses do not agree with payroll reports. Payroll expenses were understated by \$179,895. Also, \$100,000 was transferred back to the general fund from the payroll account without being approved or recorded. As of June 30, 2022, the payroll revolving account had an audited reconciled bank balance of \$32,103, which will be included in the general fund ending fund balance.

FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-003 The Fulton County Fiscal Court Does Not Have Proper Oversight Of The Payroll Revolving Account (Continued)

The fiscal court has not implemented any internal control procedures to verify accurate amounts are transferred to the payroll account for payroll expenses, as well as reviews of the payroll account activity to verify transactions were properly handled and recorded, including monthly bank reconciliations. Because the payroll expenses are not properly accounted for, individual operating fund disbursements and ending balances were misstated on the fourth quarter financial report. Proposed adjustments are necessary to reflect proper amount of payroll expenses, affecting ending fund balance and resulting in overspending the budget.

Strong internal controls over the payroll process requires procedures to ensure accurate amounts are being transferred and recorded for payroll expenses. Also, the payroll account is a revolving account and should reconcile to zero.

We recommend the fiscal court implement internal controls procedures over the payroll processes and procedures. These controls should include having someone independent of the payroll function verify proper amounts are transferred to the payroll revolving account from the corresponding operating funds. These controls should include preparing monthly bank reconciliations on the payroll account.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This is part of the issue is in Finding 2022-001 above. This is a failure to properly post the proper accounts relative to the county payroll system. The auditors have called our payroll system the most complicated payroll account of all the counties they audit. The problem is that the program set up to account and report payroll activity years ago was defective and was not corrected until January 2023. We do not believe this finding will continue in the future. No money is missing and all employees have been paid the property amount on time. It is simply a failure to post payroll activity to accounts in the system that will produce proper reporting and balances.

2022-004 The Fulton County Fiscal Court Failed To Approve Quarterly Financial Reports And An Annual Settlement

This is a repeat finding and was included in the prior year audit report as finding 2021-002. The Fulton County Fiscal Court meeting minutes did not have a record of the presentation and approval of the quarterly financial reports or the treasurer's annual settlement for the 2022 fiscal year.

The fiscal court does not require the county judge executive and county treasurer to present quarterly financial reports and an annual settlement as required by state regulations. According to the county treasurer, these reports were not presented to the fiscal court for approval because they contained errors that caused them not to be in balance. Since these reports are not presented or approved, the fiscal court is unaware of the financial condition of the county, which limits its ability to make informed financial decisions. Also, the fiscal court is not in compliance with KRS 68.360 and KRS 68.030.

Good internal controls include procedures to ensure compliance with state regulations related to financial reporting.

FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-004 The Fulton County Fiscal Court Failed To Approve Quarterly Financial Reports And An Annual Settlement (Continued)

KRS 68.360(2) states, “[t]he county judge/executive shall, within fifteen (15) days after the end of each quarter of each fiscal year, prepare a statement showing for the current fiscal year to date actual receipts from each county revenue source, the totals of all encumbrances and expenditures charged against each budget fund, the unencumbered balance of the fund, and any transfers made to or from the fund. The county judge/executive shall post the statement in a conspicuous place in the courthouse near the front door for at least ten (10) consecutive days and transmit a copy to the fiscal court and to the state-local finance officer. The statement shall be read at the next meeting of the fiscal court.”

KRS 68.030 states, “[e]ach settlement made by the county treasurer shall be approved by the fiscal court in open court, and shall, by order of the fiscal court, be recorded by the county clerk in a book kept for that purpose.”

We recommend the fiscal court implement control procedures to ensure compliance with state regulations by requiring quarterly financial reports and an annual settlement be presented and approved by the fiscal court and be made a record in the books of the county clerk.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive’s Response: This finding is correct. It appears that the Fiscal Court was not presented with a Quarterly Report for approval as required by audit guidelines. Monthly reports were provided and approved by the Fiscal Court. Quarterly Reports were provided to and approved by the Department for Local Government. Now that we are aware that the quarterly reports required Fiscal Court approval as well, our procedures for approval has been amended accordingly.

2022-005 The Fulton County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2021-003. The Fulton County Fiscal Court failed to implement proper internal controls over disbursements. We tested 74 transactions totaling \$2,440,189, which resulted in the following issues:

- Fifty-nine disbursements totaling \$1,815,699 had a purchase order that was dated after the invoice date.
- Seven disbursements totaling \$66,786 did not have a purchase order.
- One disbursement for contracted ambulance services did not have an invoice, nor did the amount paid agree to the contract amount. The contract terms were for the prior year and had not been updated.
- Eleven credit card transactions included sales tax and two meal receipts were not itemized.
- Encumbrances of \$9,285 were omitted from the fourth quarter financial statement submitted to the Department for Local Government.

According to the county treasurer, purchase orders are not issued until after the invoice is received to ensure accuracy, instead of having to adjust the amount recorded on the purchase order. The issues noted above could result in line-items being over budget, claims being paid which are not valid obligations of the fiscal court, and misappropriation of assets. The county could be missing potential monetary savings by not procuring the best services at the best prices.

Strong internal controls dictate that purchase orders be approved and issued prior to items being ordered and expenses being incurred, in order to ensure available line-item appropriation exists.

FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-005 The Fulton County Fiscal Court Failed To Implement Proper Internal Controls Over Disbursements
 (Continued)

KRS 68.210 gives the state local finance officer the authority to prescribe a system of uniform accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states, "[p]urchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made."

Additionally, according to a memorandum from the Department for Local Government (DLG) dated August 4, 2016, "[t]he main purpose of this system is to ensure that purchases can be made if there are sufficient appropriations available within the amount of line items in the county's budget. Because of this, it is a requirement by the State Local Finance Officer that all counties have a purchase order system and follow the guidelines prescribed on Page 54 of the *County Budget Preparation and State Local Finance Officer Policy Manual*." Furthermore, DLG highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims.

We recommend the Fulton County Fiscal Court implement internal controls over the disbursement process to ensure there are purchase orders issued prior to purchases being made and use the purchase orders to maintain an accurate list of encumbrances on the fourth quarter financial statement. We further recommend the fiscal court implement controls over the review process to ensure all purchases have an invoice, agree to the contracted amount, meal receipts are itemized, and sales tax is not being paid on purchases.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: We did have some issues with when Purchase Orders were dated. There were a couple of procurement transactions that occurred and the PO's were added afterwards. One of the issues in this finding was seven disbursements for utilities that did not have a Purchase Order. Until this audit, the Fiscal Court annually approved Standing Orders which allowed the payment of reoccurring obligations, including utilities and those purchases never contained a PO. It was not until this audit that we learned a Purchase Order was required on Standing Orders. Auditors told us this was a new requirement. Now that we have been made aware of this requirement, we will continue forward in compliance with this regulation.

2022-006 The Fulton County Fiscal Court Exceeded Budget Appropriations For Fiscal Year 2022

The Fulton County Fiscal Court exceeded budget appropriations in one line item during fiscal year 2022. The general fund, general government line item, exceeded budgeted appropriations by \$58,430.

Budgeted appropriations were exceeded due to the budgeted amounts not being accurately reported by the treasurer on the quarterly financial statement and payroll expense not being properly recorded. Due to this error, the fiscal court exceeded budgeted appropriations which a violation of state requirements causing the claim paid to be illegal and void.

KRS 68.300 states, "[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable."

FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2022
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2022-006 The Fulton County Fiscal Court Exceeded Budget Appropriations For Fiscal Year 2022 (Continued)

Strong internal controls should include procedures to ensure sufficient budget appropriations are available prior to approving claims.

We recommend the fiscal court monitor the budget more closely and implement controls procedures to ensure budgeted appropriations are not exceeded without approving necessary transfers and amendments.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: This is a true assessment; the county did exceed an appropriation by \$58,430. This was an instance where the Sheriff's office did not accumulate enough revenue from fees to sustain their payroll and other activities. In that case, the Fiscal Court voted to cover their shortfall and that amount approved by the Fiscal Court was more than the budget appropriation. The finding goes on to suggest the expenditure in excess of the appropriation might be a claim against the Treasurer's bond. I would argue against that because the Treasurer cautioned against action taken, but the Fiscal Court believed it to be proper to support the Sheriff's office by covering revenue shortfalls. Going forward, this situation will not reoccur because the Fiscal Court has taken corrective action by enacting a Fee Pooling Ordinance with the Sheriff's office effective January 1, 2023.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

FULTON COUNTY FISCAL COURT

For The Year Ended June 30, 2022

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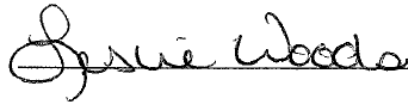
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
COUNTY FISCAL COURT

For The Year Ended June 30, 2022

The Fulton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "John Martin", written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Jessie Woods", written over a horizontal line.

County Treasurer