

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

**For The Year Ended
June 30, 2023**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
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ALLISON BALL
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, 2023, 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 accompanying 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, 2023, 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, 2023, 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
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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 judgment, 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
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Holly M. Johnson, Secretary
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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 13, 2024, 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:

- 2023-001 The Fulton County Fiscal Court Failed To Implement Adequate Internal Controls Over Accounting Functions And Financial Reporting Including Adequately Segregating Duties
- 2023-002 The Fulton County Fiscal Court's Outstanding Debt Balances Were Materially Understated
- 2023-003 Restricted Fund Balances Are Due From The General Fund
- 2023-004 The Fulton County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements
- 2023-005 The Fulton County Jailer Did Not Comply With Bid Requirements For A Commissary Purchase

Respectfully submitted,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 13, 2024

FULTON COUNTY OFFICIALS**For The Year Ended June 30, 2023****Fiscal Court Members:**

Jim Martin	County Judge/Executive
Wade Adams	Magistrate
Hugh Caldwell	Magistrate - 7/1/2022 to 12/31/2022
Butch Busby	Magistrate - 1/1/2023 to 6/30/2023
Jim Paitsel	Magistrate
Shaun Parks	Magistrate - 7/1/2022 to 12/31/2022
Matt Moss	Magistrate - 1/1/2023 to 6/30/2023

Other Elected Officials:

Amanda Major	County Attorney
Steven Williams	Jailer
Naomi Jones	County Clerk
Jaime Matthews	Circuit Court Clerk
Derek Goodson	Sheriff 7/1/2022 to 12/31/2022
Chad Parker	Sheriff - 1/1/2023 to 6/30/2023
Pete Morgan	Property Valuation Administrator
Matt Moss	Coroner - 7/1/2022 to 12/31/2022
Darrin Hulin	Coroner - 1/1/2023 to 6/30/2023

Appointed Personnel:

Leslie Woods	County Treasurer - 7/1/2022 to 5/31/2023
Christian Lattus	County Treasurer - 6/1/2023 to 6/30/2023
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, 2023

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

For The Year Ended June 30, 2023

	<u>Budgeted Funds</u>		
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>
RECEIPTS			
Taxes	\$ 925,318	\$	\$
In Lieu Tax Payments	31,227		
Excess Fees	10,271		
Licenses and Permits	7,979		
Intergovernmental	1,685,403	1,299,051	5,941,879
Charges for Services			1,803
Miscellaneous	509,323	9,157	354,380
Interest	24,740	48,854	21,756
Total Receipts	<u>3,194,261</u>	<u>1,357,062</u>	<u>6,319,818</u>
DISBURSEMENTS			
General Government	1,202,303		
Protection to Persons and Property	587,967		4,369,973
General Health and Sanitation	5,356		
Social Services	7,170		
Recreation and Culture			
Roads		694,686	
Other Transportation Facilities and Services		40,068	
Debt Service			357,434
Capital Projects	6,098	83,222	
Administration	702,124	136,000	1,197,147
Total Disbursements	<u>2,511,018</u>	<u>953,976</u>	<u>5,924,554</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>683,243</u>	<u>403,086</u>	<u>395,264</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	184,310		
Transfers To Other Funds	<u>(926,850)</u>	<u>(122,702)</u>	<u>(94,540)</u>
Total Other Adjustments to Cash (Uses)	<u>(742,540)</u>	<u>(122,702)</u>	<u>(94,540)</u>
Net Change in Fund Balance	(59,297)	280,384	300,724
Fund Balance - Beginning (Restated)	<u>892,080</u>	<u>2,047,106</u>	<u>1,271,734</u>
Fund Balance - Ending	<u>\$ 832,783</u>	<u>\$ 2,327,490</u>	<u>\$ 1,572,458</u>
Composition of Fund Balance			
Bank Balance	\$ 1,195,311	\$ 2,222,165	\$ 1,373,457
Less: Outstanding Checks	(6,475)	(4,082)	(47,445)
Prior Year Surplus Owed To Restricted Funds	<u>(356,053)</u>	<u>109,407</u>	<u>246,446</u>
Fund Balance - Ending	<u>\$ 832,783</u>	<u>\$ 2,327,490</u>	<u>\$ 1,572,458</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, 2023
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	Federal Grants Fund	Disaster Emergency Services Fund	Fire Rescue Construction Fund	Ambulance Reserve Fund	Clerk Storage Fund
\$	\$	\$	\$	\$	\$
		10,506	390,761	647,036	
		144	9,042	56,107	8,360
		10,650	399,803	703,143	8,377
	90,000				5,332
		11,098			
	90,000	11,098			5,332
	(90,000)	(448)	399,803	703,143	3,045
	90,000			904,390	
	90,000			904,390	
		(448)	399,803	1,607,533	3,045
		8,358	343,857	1,155,042	
\$ 0	\$ 0	\$ 7,910	\$ 743,660	\$ 2,762,575	\$ 3,045
\$	\$	\$ 7,710	\$ 743,660	\$ 2,762,575	\$ 3,045
		200			
\$ 0	\$ 0	\$ 7,910	\$ 743,660	\$ 2,762,575	\$ 3,045

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, 2023
(Continued)

	<u>Budgeted Funds</u>		
	<u>Opioid Fund</u>	<u>Alcohol Fees Fund</u>	<u>American Recovery Plan Act Fund</u>
RECEIPTS			
Taxes	\$	\$	\$
In Lieu Tax Payments			
Excess Fees			
Licenses and Permits			
Intergovernmental			629,704
Charges for Services			
Miscellaneous	39,358	45,012	
Interest	133	113	7,104
Total Receipts	<u>39,491</u>	<u>45,125</u>	<u>636,808</u>
DISBURSEMENTS			
General Government			
Protection to Persons and Property			
General Health and Sanitation			
Social Services			
Recreation and Culture			
Roads			
Other Transportation Facilities and Services			
Debt Service			
Capital Projects			
Administration			
Total Disbursements			
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>39,491</u>	<u>45,125</u>	<u>636,808</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds			
Transfers To Other Funds		(34,608)	
Total Other Adjustments to Cash (Uses)		<u>(34,608)</u>	
Net Change in Fund Balance	39,491	10,517	636,808
Fund Balance - Beginning (Restated)			583,412
Fund Balance - Ending	<u>\$ 39,491</u>	<u>\$ 10,517</u>	<u>\$ 1,220,220</u>
Composition of Fund Balance			
Bank Balance	\$ 39,491	\$ 10,517	\$ 1,220,220
Less: Outstanding Checks			
Prior Year Surplus Owed To Restricted Funds			
Fund Balance - Ending	<u>\$ 39,491</u>	<u>\$ 10,517</u>	<u>\$ 1,220,220</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, 2023
(Continued)

Unbudgeted Fund

<u>Jail Commissary Fund</u>	<u>Total Funds</u>
\$	\$ 925,318
	31,227
	10,271
	7,979
	10,604,340
	1,803
248,381	1,213,971
	168,010
<u>248,381</u>	<u>12,962,919</u>
	1,297,635
	4,969,038
	5,356
	7,170
518,177	518,177
	694,686
	40,068
	357,434
	89,320
	2,035,271
<u>518,177</u>	<u>10,014,155</u>
<u>(269,796)</u>	<u>2,948,764</u>
	1,178,700
	<u>(1,178,700)</u>
<u>(269,796)</u>	<u>2,948,764</u>
<u>341,962</u>	<u>6,643,551</u>
<u>\$ 72,166</u>	<u>\$ 9,592,315</u>
\$ 103,655	\$ 9,681,806
(31,489)	(89,491)
<u>\$ 72,166</u>	<u>\$ 9,592,315</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, 2023

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, 2023
(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.

Federal Grants Fund - The primary purpose of this fund is to account for expenses related to federal construction projects. The primary source of receipts for this fund are grant from state and federal governments.

Disaster Emergency Services Fund - The primary purpose of this fund is to account for emergency management expenses of the county. The primary source of receipts for this fund is the 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 source of receipts for this fund is reimbursement from insurance and FEMA.

Ambulance Reserve - 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 for this fund are funds received related to notes receivable.

Clerk Storage Fund - The primary purpose of this fund is to account for the receipts and disbursements associated with the preservation of public records maintained at the county clerk's office. The primary source of receipts for this fund is from the collection of storage fees at the county clerk's office.

Opioid Fund - The primary purpose of this fund is to account for funds to be used to combat the county's opioid crisis. The primary sources of receipts for this fund are from the state resulting from an agreement with major opioid manufactures and distributors.

Alcohol Fees Fund - The primary purpose of this fund is to account for costs of additional policing, administration, and regulation due to repeal of prohibition. The primary source of receipts for this fund is from the collection of regulatory license fees imposed by a county ordinance.

American Recovery Plan Act Fund - The primary purpose of this fund is to account for the State and Local Fiscal Recover Funds grant received from the U.S. Department of Treasury. Per the grant guidelines, these funds are restricted as to use.

Unbudgeted Funds

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.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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).

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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, 2023, 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 2023.

	General Fund	Road Fund	Jail Fund	Alcohol Fees Fund	Total Transfers In
General Fund	\$	\$ 122,702	\$ 27,000	\$ 34,608	\$ 184,310
Federal Grant Fund	90,000				90,000
Ambulance Reserve Fund	836,850		67,540		904,390
Total Transfers Out	<u>\$ 926,850</u>	<u>\$ 122,702</u>	<u>\$ 94,540</u>	<u>\$ 34,608</u>	<u>\$ 1,178,700</u>

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 3. Transfers (Continued)

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 Account - This account maintains funds received from the inmates. The balance in the jail inmate account as of June 30, 2023, was \$96,392.

Jail Escrow Account - This account maintains funds belonging to former inmates that the jailer is unable to locate. The balance in the jail escrow account as of June 30, 2023 was \$9,158.

Note 5. Leases

A. Lessor

1. During the current fiscal year, the Fulton County Fiscal Court began leasing office space in old courthouse to the Administrative Office of the Courts (AOC). The lease is for one year and Fulton County will receive monthly payments of \$14,442. The Fulton County Fiscal Court recognized \$173,300 in lease revenue during the current fiscal year related to this lease. As of June 30, 2023, the Fulton County Fiscal Court's receivable for lease payments was zero.
2. During the current fiscal year, the Fulton County Fiscal Court began leasing equipment to the Twin City Ambulance Service. The lease is for two years, beginning on January 31, 2023 and ending January 31, 2025. The Fulton County Fiscal Court will receive annual payments of \$50. As of June 30, 2023, the Fulton County Fiscal Court's receivable for lease payments was zero.
3. During the current fiscal year, the Fulton County Fiscal Court began leasing office space to the Pinelake Physician Practice, LLC. The lease is for five years, beginning on January 1, 2017 and ending December 31, 2021 and the tenant has the option to extend. The Fulton County Fiscal Court will receive monthly payments of \$3,120. As of June 30, 2023, the Fulton County Fiscal Court's receivable for lease payments was zero.

B. Lessee

1. The Fulton County Fiscal Court entered into a multi-year lease agreement as lessee for the use of office equipment (copiers). The Fulton County Fiscal Court is required to make monthly lease payments of \$299 for 60 months. During the fiscal year ended June 30, 2023 the fiscal court made payments of \$2,392.
2. The Fulton County Fiscal Court entered into a multi-year lease agreement as lessee for the use of office equipment (copiers). The Fulton County Fiscal Court is required to make monthly lease payments of \$39 for 60 months. During the fiscal year ended June 30, 2023, the fiscal court made payments of \$312.
3. The Fulton County Fiscal Court entered into a multi-year lease agreement as lessee for the use of office equipment (copiers). The Fulton County is required to make monthly lease payments of \$503 for 60 months. During the fiscal year ended June 30, 2023, the fiscal court made payments of \$6,036.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

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 monthly installments including interest over 120 months. The maturity date of the note is February 15, 2028. The Fulton County Fiscal Court has set up the ambulance reserve fund to record the payments it receives on the note. As of June 30, 2023, the outstanding balance of the note was \$106,452.

Note 7. Long-term Debt

A. Direct Borrowings and Direct Placements

1. KACO Lease - Detention Center Refinancing

In March 2018, Fulton County entered into a financing 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 3034. 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, 2023, was \$1,997,500. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 157,500	\$ 75,655
2025	162,500	68,961
2026	170,000	62,055
2027	177,500	54,830
2028	182,500	48,186
2029-2033	1,000,000	145,174
2034-2035	<u>147,500</u>	<u>8,773</u>
Totals	<u>\$ 1,997,500</u>	<u>\$ 463,634</u>

2. KACO Lease - Detention Center Kitchen

In October 2017, Fulton County entered into a financing 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 June 30, 2023 was \$1,370,000. Future principal and interest requirements are as follows:

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Long-term Debt (Continued)

A. Direct Borrowings and Direct Placements (continued)

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 72,500	\$ 52,429
2025	75,000	49,348
2026	77,500	46,160
2027	82,500	42,867
2028	85,000	39,360
2029-2033	475,000	147,301
2034-2038	502,500	60,056
Totals	<u>\$ 1,370,000</u>	<u>\$ 437,521</u>

3. KACO Lease – Tornado Damage

In April 2022, Fulton County entered into a financing agreement with the Kentucky Association of Counties Finance Corporation in the amount of \$1,043,000 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 June 30, 2023 was \$1,043,000. Future principal and interest requirements are as follows:

Fiscal Year Ending June 30	Principal	Scheduled Interest
2024	\$ 1,043,000	\$ 15,645
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, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowings and Direct Placements	\$ 4,630,500	\$	\$ 220,000	\$ 4,410,500	\$ 1,273,000
Total Long-term Debt	<u>\$ 4,630,500</u>	<u>\$ 0</u>	<u>\$ 220,000</u>	<u>\$ 4,410,500</u>	<u>\$ 1,273,000</u>

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 7. Long-term Debt (Continued)

C. Aggregate Debt Schedule

The amount of required principal and interest payments on long-term obligations at June 30, 2023, were as follows:

Fiscal Year Ended June 30	Direct Borrowings and Direct Placements	
	Principal	Interest
2024	\$ 1,273,000	\$ 143,729
2025	237,500	118,309
2026	247,500	108,215
2027	260,000	97,696
2028	267,500	87,546
2029-2033	1,475,000	292,475
2034-2038	650,000	68,828
Totals	<u>\$ 4,410,500</u>	<u>\$ 916,798</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 2021 was \$601,118, FY 2022 was \$770,059, and FY 2023 was \$755,864.

Nonhazardous

Nonhazardous covered employees are required to contribute five percent (5%) of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent (6%) of their salary to be allocated as follows: five percent (5%) will go to the member's account and one percent (1%) 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. Nonhazardous covered employees contribute five percent (5%) of their annual creditable compensation. Nonhazardous members also contribute one percent (1%) to the health insurance fund which is not credited to the member's account and is not refundable.

FULTON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 8. Employee Retirement System (Continued)

Nonhazardous (Continued)

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 four percent (4%) 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 26.79 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, 2023
(Continued)

Note 8. Employee Retirement System (Continued)

Other Post-Employment Benefits (OPEB) (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.

F. Ky. Ret. Sys. 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, 2023
(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, 2023, the balance of the plan is \$167,000.

Note 11. Insurance

For the fiscal year ended June 30, 2023, 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. Conduit Debt

From time to time, the county has may provide 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
NOTES TO FINANCIAL STATEMENT
June 30, 2023
(Continued)

Note 13. Prior Period Adjustments

General Fund	
Beginning Fund Balance - Prior Year Audit	\$ 924,180
Remove Prior Year Payroll Account Balance	(32,104)
Rounding error	<u>4</u>
Beginning Fund Balance - Restated	<u><u>\$ 892,080</u></u>

Note 14. Restricted Fund Balances

In fiscal year ended June 30, 2022, the fiscal court opened new bank accounts for the restricted road, jail, and disaster emergency service Funds. Cash was transferred in both the prior and current fiscal years from the general fund checking account to the restricted funds, however the full amount of each restricted fund's cash balance was not completely transferred to the new restricted funds bank accounts. The schedule below lists the amounts due from the general fund account to each of the restricted funds bank accounts.

	Road Fund	Jail Fund	Disaster Emergency Services Fund	Total
Prior Year Fund Balance In New Bank Accounts	\$ 18	\$ 205,135	\$ 8,158	\$ 213,311
Cash Transferred To New Bank Accounts In Current Year	<u>1,937,681</u>	<u>820,153</u>	<u>8,158</u>	<u>2,757,834</u>
	\$ 1,937,699	\$ 1,025,288	\$ 8,158	\$ 2,971,145
Less:				
Prior Audited Year Fund Balance	<u>(2,047,106)</u>	<u>(1,271,734)</u>	<u>(8,358)</u>	<u>(3,327,198)</u>
Cash Due from General Fund to Restricted Funds	<u><u>\$ (109,407)</u></u>	<u><u>\$ (246,446)</u></u>	<u><u>\$ (200)</u></u>	<u><u>\$ (356,053)</u></u>

**FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis**

For The Year Ended June 30, 2023

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FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 835,750	\$ 835,750	\$ 925,318	\$ 89,568
In Lieu Tax Payments	39,300	39,300	31,227	(8,073)
Excess Fees	1,100	1,100	10,271	9,171
Licenses and Permits	4,000	4,000	7,979	3,979
Intergovernmental	531,000	531,000	1,685,403	1,154,403
Charges for Services	1,000	1,000		(1,000)
Miscellaneous	262,760	262,760	509,323	246,563
Interest	8,500	8,500	24,740	16,240
Total Receipts	<u>1,683,410</u>	<u>1,683,410</u>	<u>3,194,261</u>	<u>1,510,851</u>
DISBURSEMENTS				
General Government	913,279	1,226,136	1,202,303	23,833
Protection to Persons and Property	403,713	1,595,318	587,967	1,007,351
General Health and Sanitation	19,000	19,056	5,356	13,700
Social Services	10,500	10,754	7,170	3,584
Recreation and Culture	1,500	1,500		1,500
Airports	3,000	3,000		3,000
Capital Projects	7,500	7,500	6,098	1,402
Administration	2,400,330	895,558	702,124	193,434
Total Disbursements	<u>3,758,822</u>	<u>3,758,822</u>	<u>2,511,018</u>	<u>1,247,804</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,075,412)</u>	<u>(2,075,412)</u>	<u>683,243</u>	<u>2,758,655</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	149,702	149,702	184,310	34,608
Transfers To Other Funds			(926,850)	(926,850)
Total Other Adjustments to Cash (Uses)	<u>149,702</u>	<u>149,702</u>	<u>(742,540)</u>	<u>(892,242)</u>
Net Change in Fund Balance	(1,925,710)	(1,925,710)	(59,297)	1,866,413
Fund Balance - Beginning (Restated)	<u>1,925,710</u>	<u>1,925,710</u>	<u>892,080</u>	<u>(1,033,630)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 832,783</u>	<u>\$ 832,783</u>

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,320,026	\$ 1,320,026	\$ 1,299,051	\$ (20,975)
Miscellaneous	23,500	23,500	9,157	(14,343)
Interest	25,000	25,000	48,854	23,854
Total Receipts	<u>1,368,526</u>	<u>1,368,526</u>	<u>1,357,062</u>	<u>(11,464)</u>
DISBURSEMENTS				
Transportation Facilities and Services	2,500	2,500		2,500
Roads	749,221	778,735	694,686	84,049
Other Transportation Facilities and Services	37,000	43,470	40,068	3,402
Capital Projects	247,000	247,000	83,222	163,778
Administration	2,446,568	2,410,584	136,000	2,274,584
Total Disbursements	<u>3,482,289</u>	<u>3,482,289</u>	<u>953,976</u>	<u>2,528,313</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,113,763)</u>	<u>(2,113,763)</u>	<u>403,086</u>	<u>2,516,849</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	122,702	122,702	(122,702)	(245,404)
Total Other Adjustments to Cash (Uses)	<u>122,702</u>	<u>122,702</u>	<u>(122,702)</u>	<u>(245,404)</u>
Net Change in Fund Balance	(1,991,061)	(1,991,061)	280,384	2,271,445
Fund Balance - Beginning	<u>1,991,061</u>	<u>1,991,061</u>	<u>2,047,106</u>	<u>56,045</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,327,490</u>	<u>\$ 2,327,490</u>

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 6,922,980	\$ 6,922,980	\$ 5,941,879	\$ (981,101)
Charges for Services	3,000	3,000	1,803	(1,197)
Miscellaneous	675,000	675,000	354,380	(320,620)
Interest	15,000	15,000	21,756	6,756
Total Receipts	<u>7,615,980</u>	<u>7,615,980</u>	<u>6,319,818</u>	<u>(1,296,162)</u>
DISBURSEMENTS				
Protection to Persons and Property	5,157,428	5,299,916	4,369,973	929,943
Debt Service	714,000	714,000	357,434	356,566
Administration	3,390,188	3,247,700	1,197,147	2,050,553
Total Disbursements	<u>9,261,616</u>	<u>9,261,616</u>	<u>5,924,554</u>	<u>3,337,062</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,645,636)</u>	<u>(1,645,636)</u>	<u>395,264</u>	<u>2,040,900</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	387,000	387,000	(94,540)	(481,540)
Total Other Adjustments to Cash (Uses)	<u>387,000</u>	<u>387,000</u>	<u>(94,540)</u>	<u>(481,540)</u>
Net Change in Fund Balance	(1,258,636)	(1,258,636)	300,724	1,559,360
Fund Balance - Beginning	<u>1,258,636</u>	<u>1,258,636</u>	<u>1,271,734</u>	<u>13,098</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,572,458</u>	<u>\$ 1,572,458</u>

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

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

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$	\$ 733,550	\$	\$ (733,550)
Total Receipts		733,550		(733,550)
DISBURSEMENTS				
General Government			90,000	(90,000)
Capital Projects		733,550		733,550
Total Disbursements		733,550	90,000	643,550
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			(90,000)	(90,000)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			90,000	90,000
Total Other Adjustments to Cash (Uses)			90,000	90,000
Net Change in Fund Balance				
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$	0
		\$	0	\$
		\$	0	\$
		0	0	0

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	DISASTER EMERGENCY SERVICES FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 11,100	\$ 11,100	\$ 10,506	\$ (594)
Miscellaneous	100	100		(100)
Interest			144	144
Total Receipts	<u>11,200</u>	<u>11,200</u>	<u>10,650</u>	<u>(550)</u>
DISBURSEMENTS				
Protection to Persons and Property	11,300	11,350	11,098	252
Administration	8,288	8,238		8,238
Total Disbursements	<u>19,588</u>	<u>19,588</u>	<u>11,098</u>	<u>8,490</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(8,388)</u>	<u>(8,388)</u>	<u>(448)</u>	<u>7,940</u>
Net Change in Fund Balance	(8,388)	(8,388)	(448)	7,940
Fund Balance - Beginning	<u>8,388</u>	<u>8,388</u>	<u>8,358</u>	<u>(30)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,910</u>	<u>\$ 7,910</u>

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

FIRE RESCUE CONSTRUCITON FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$	\$	\$ 390,761	\$ 390,761
Charges for Services	50,000	50,000		(50,000)
Interest	250	250	9,042	8,792
Total Receipts	<u>50,250</u>	<u>50,250</u>	<u>399,803</u>	<u>349,553</u>
DISBURSEMENTS				
Protection to Persons and Property	343,590	343,590		343,590
Administration	50,320	50,320		50,320
Total Disbursements	<u>393,910</u>	<u>393,910</u>		<u>393,910</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(343,660)</u>	<u>(343,660)</u>	<u>399,803</u>	<u>743,463</u>
Net Change in Fund Balance	(343,660)	(343,660)	399,803	743,463
Fund Balance - Beginning	<u>343,660</u>	<u>343,660</u>	<u>343,857</u>	<u>197</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 743,660</u>	<u>\$ 743,660</u>

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	AMBULANCE RESERVE FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 405,600	\$ 405,600	\$ 647,036	\$ 241,436
Interest			56,107	56,107
Total Receipts	<u>405,600</u>	<u>405,600</u>	<u>703,143</u>	<u>297,543</u>
DISBURSEMENTS				
Debt Service	1,112,912	1,112,912		1,112,912
Administration	765,600	765,600		765,600
Total Disbursements	<u>1,878,512</u>	<u>1,878,512</u>		<u>1,878,512</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,472,912)</u>	<u>(1,472,912)</u>	<u>703,143</u>	<u>2,176,055</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	360,000	360,000	904,390	544,390
Total Other Adjustments to Cash (Uses)	<u>360,000</u>	<u>360,000</u>	<u>904,390</u>	<u>544,390</u>
Net Change in Fund Balance	(1,112,912)	(1,112,912)	1,607,533	2,720,445
Fund Balance - Beginning	<u>1,112,912</u>	<u>1,112,912</u>	<u>1,155,042</u>	<u>42,130</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,762,575</u>	<u>\$ 2,762,575</u>

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

CLERK STORAGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 15,000	\$ 15,000	\$ 8,360	\$ (6,640)
Interest	200	200	17	(183)
Total Receipts	<u>15,200</u>	<u>15,200</u>	<u>8,377</u>	<u>(6,823)</u>
DISBURSEMENTS				
General Government	15,000	15,000	5,332	9,668
Administration	200	200		200
Total Disbursements	<u>15,200</u>	<u>15,200</u>	<u>5,332</u>	<u>9,868</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			<u>3,045</u>	<u>3,045</u>
Net Change in Fund Balance			3,045	3,045
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,045</u>	<u>\$ 3,045</u>

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

	OPIOID FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$ 39,345	\$ 39,358	\$ 13
Interest			133	133
Total Receipts		39,345	39,491	146
DISBURSEMENTS				
General Health and Sanitation		39,345		39,345
Total Disbursements		39,345		39,345
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			39,491	39,491
Net Change in Fund Balance			39,491	39,491
Fund Balance - Beginning				
Fund Balance - Ending	\$	0	\$ 39,491	\$ 39,491

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(Continued)

ALCOHOL FEES FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$	\$	\$ 45,012	\$ 45,012
Interest			113	113
Total Receipts			45,125	45,125
DISBURSEMENTS				
Total Disbursements				
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)			45,125	45,125
Other Adjustments to Cash (Uses)				
Transfers To Other Funds			(34,608)	(34,608)
Total Other Adjustments to Cash (Uses)			(34,608)	(34,608)
Net Change in Fund Balance			10,517	10,517
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 10,517	\$ 10,517

FULTON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2023
(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	\$ 629,704	\$ 54,285
Interest	1,000	1,000	7,104	6,104
Total Receipts	<u>576,419</u>	<u>576,419</u>	<u>636,808</u>	<u>60,389</u>
DISBURSEMENTS				
Administration	<u>1,159,792</u>	<u>1,159,792</u>		<u>1,159,792</u>
Total Disbursements	<u>1,159,792</u>	<u>1,159,792</u>		<u>1,159,792</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(583,373)</u>	<u>(583,373)</u>	<u>636,808</u>	<u>1,220,181</u>
Net Change in Fund Balance	(583,373)	(583,373)	636,808	1,220,181
Fund Balance - Beginning	<u>583,373</u>	<u>583,373</u>	<u>583,412</u>	<u>39</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,220,220</u>	<u>\$ 1,220,220</u>

**FULTON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES**

June 30, 2023

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. Excess of Disbursements Over Appropriations

The federal grant fund, general government line-item, exceeded budgeted appropriations by \$90,000.

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**FULTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis**

For The Year Ended June 30, 2023

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FULTON COUNTY
SCHEDULE OF CAPITAL ASSETS
Other Information - Regulatory Basis

For The Year Ended June 30, 2023

The fiscal court reports the following Schedule of Capital Assets:

	Beginning Balance (Restated*)	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 293,873	\$ 90,000	\$	\$ 383,873
Buildings and Building Improvements	15,700,101	1,092,792		16,792,893
Vehicles & Equipment	3,614,762	442,528	54,069	4,003,221
Infrastructure	29,741,873	239,515		29,981,388
 Total Capital Assets	 <u>\$ 49,350,609</u>	 <u>\$ 1,864,835</u>	 <u>\$ 54,069</u>	 <u>\$ 51,161,375</u>

*Beginning Balance restated due to clerical errors made in calculating prior year balances.

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

June 30, 2023

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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 10,000	15-30
Buildings and Building Improvements	\$ 10,000	10-60
Machinery and Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	3-25
Infrastructure	\$ 10,000	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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ALLISON BALL
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, 2023, 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 13, 2024.

Report on 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 and another deficiency that we consider to be a significant deficiency.

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 2023-001, 2023-002, 2023-003, and 2023-004 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)

Report on Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2023-005 to be a significant deficiency.

Report on 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 2023-001, 2023-002, 2023-003, and 2023-004.

Views of Responsible Officials and Planned Corrective Action

Government Auditing Standards requires the auditor to perform limited procedures on the Fulton County's responses to the findings identified in our audit and described 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,



Allison Ball
Auditor of Public Accounts
Frankfort, Ky

February 13, 2024

**FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

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**FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2023

FINANCIAL STATEMENT FINDINGS:

2023-001 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 finding 2022-001. The Fulton County Fiscal Court lacks adequate segregation of duties and failed to provide any oversight and monitoring of accounting functions and financial reporting. The former treasurer was responsible for preparing monthly, quarterly, and annual financial reports. There were no functioning internal controls in place to monitor, provide oversight, or check the work performed by the former county treasurer, which allowed the former county treasurer to have total control over the accounting and reporting functions. The fourth quarter financial statement submitted to the Department for Local Government did not accurately reflect the financial activities of the county as it was materially inaccurate.

While it may be customary for the county treasurer to perform most of the accounting and reporting 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 the financial reports were complete and accurate. Instead, the county placed reliance on the former county treasurer, and chose not to scrutinize discrepancies noted on the financial reports. The county judge/executive stated that the court does not possess the knowledge to understand the county's financial records.

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. Some errors occurred due to a new treasurer trying to correct known errors in the financial statement. The following deficiencies, noncompliances, and errors occurred and were submitted without detection.

- Budgetary amounts reported on the fourth quarter financial statement do not agree to the budget approved by the fiscal court. Budgeted receipts were overstated by \$303,635, while budgeted disbursements were understated by \$64,490.
- Operating revenue was understated by \$985,738, while total disbursements were overstated by \$971,955. These amounts include \$90,000 of federal grant fund activity that was completely omitted from the fourth quarter financial statement.
- Cash transfers to other funds were understated by \$994,390.
- Cash transfers from other funds were understated by \$1,028,998.
- As reported in finding 2023-002, outstanding interest on debt was understated by \$870,881.
- A schedule of expenditures of federal awards was not prepared or submitted to the Department for Local Government.

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.

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 submit quarterly reports that show, among other things, the amounts from the original budget for each category of receipts and disbursements. The fourth quarter financial report must agree to the original budget and budget amendments submitted to the Department for Local Government.

FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-001 The Fulton County Fiscal Court Failed To Implement Adequate Internal Controls Over Accounting Functions And Financial Reporting Including Adequately Segregating Duties (Continued)

KRS 68.280 states, “[t]he fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget.”

KRS 68.020(4) states the county treasurer, “shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts 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 68.210 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 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 entire accounting and reporting functions. If segregation of duties is not possible, appropriate management oversight should be provided to ensure the completion of accurate financial reports, including budgetary amounts, actual receipts and disbursements, as well as other required schedules. 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: Since a new County Treasurer was appointed in May 2023, the Finance Officer and the County Treasurer have worked diligently to properly implement dual control of the county’s finances. The Finance Officer continues to keep thorough spreadsheets and copies of checks and bills while the Treasurer reconciles and keeps records in accounting software. The two are then able to compare and verify each other.

In addition, after the County Treasurer prepares the monthly financial reports, the Judge Executive reviews and signs off on them prior to the Fiscal Court meeting. This is another step implemented to keep adequate internal control.

2023-002 The Fulton County Fiscal Court’s Outstanding Debt Balances Were Materially Understated

This is a repeat finding and was included in the prior year audit report as finding 2022-002. For the fiscal year ending June 30, 2023, the Fulton County Fiscal Court reported outstanding interest of \$45,917 on the fourth quarter financial statement submitted to the Department for Local Government. However, the confirmed outstanding interest balance was \$916,798, resulting in an understatement of \$870,881.

This was due to the former county treasurer reporting total monthly debt payments to the outstanding interest balance instead of just the amount of interest. In addition, this is due to the fiscal court failing to implement control procedures to ensure outstanding debt obligations are accurately reported.

FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-002 The Fulton County Fiscal Court's Outstanding Debt Balances Were Materially Understated

As a result, the outstanding debt obligations reported on the fourth quarter financial report were understated by \$870,881. 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 compare the schedule of liabilities to debt schedules.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: After obtaining updated amortization schedules, the County Treasurer is now able to update the principal and interest owed monthly on outstanding debt. This procedure has been implemented and, therefore, this issue has already been remedied.

2023-003 Restricted Fund Balances Are Due From The General Fund

In prior years, the fiscal court maintained one operating bank account for the general, road, jail, and DES funds. During the current fiscal year, the county decided to open separate bank accounts for each of the restricted funds. However, the correct fund balance of each fund was not deposited into the new accounts. As of June 30, 2023, the general fund owed the road fund \$109,407, the jail fund \$246,446, and the DES fund \$200 in order to accurately record the beginning fund balances for each of these funds.

This is due to a lack of management oversight as the fiscal court did not require the former county treasurer prepare accurate bank reconciliations for each budget fund. Therefore, the beginning fund balances reported on the quarterly financial report are not accurate.

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, good internal controls dictate that fund balances reported be supported by accurate bank reconciliations for each fund.

FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-003 Restricted Funds Balances Are Due From The General Fund (Continued)

We recommend the Fulton County Fiscal Court transfer the remaining cash balances owed from the general fund to the other funds in order to accurately reflect fund balances. We also recommend that the county implement internal control procedures to ensure fund balances are reconciled and agree to the bank account balances.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: Following the audit, the County was informed about money that was not transferred to the Jail Fund and the Road Fund. Fiscal Court approval was then granted to transfer these funds and the necessary transfers were completed. These properly made transfers have remedied this issue.

Monthly bank reconciliations and proper implementation of internal controls will prevent this from happening in the future.

2023-004 The Fulton County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements

This is a repeat finding and was included in the prior year audit report as finding 2022-005. The Fulton County Fiscal Court failed to implement proper internal controls over disbursements. We tested 58 transactions totaling \$2,244,841, which resulted in the following issues:

- Fifty-one (51) disbursements totaling \$2,157,493 had a purchase order that was dated after the invoice date.
- One (1) disbursement totaling \$43,363 did not have a purchase order.
- One (1) disbursement for contracted services did not include an invoice.
- Three (3) credit card transactions included sales tax.
- Encumbrances for FYE June 30, 2023 were omitted from the fourth quarter financial statement.

Additionally, the fiscal court did not properly procure bids for road department equipment totaling \$163,111. The fiscal court used a cooperative purchasing organization to source the expenditure; however, they did not follow the requirements set forth by state regulations for this type of purchase.

The deviation from the approved purchase order policy was due to a weak control environment over the purchasing process. According to the county judge/executive, the fiscal court was not aware of any compliance requirements for using a cooperative purchasing organization.

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. Also, by not advertising for bids or ensuring the cooperative purchasing organization met the state's requirements, the fiscal court may not have received the best price for the item purchased. Also, the fiscal court was not in compliance with state laws and their administrative code.

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."

**FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-004 The Fulton County Fiscal Court Failed To Implement Adequate Internal Controls Over Disbursements (Continued)

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*.

KRS 45A.310(3) states, “[w]here the public purchasing unit or foreign purchasing activity administering a cooperative purchase does not follow this code, then the purchasing officer of a state public purchasing unit must determine, in writing, that he has examined the procurement system of the public purchasing unit or foreign purchasing activity administering the purchase and has found that the proposed method of purchase substantially meets the requirements of this code.”

The Fulton County Fiscal Court’s administrative code states “[a]ny expenditure or contract for materials, supplies (except perishable meat, fish, vegetables, breads and other food related products for the Fulton County Detention Center), equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) shall be subject to competitive bidding.”

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. Strong internal controls also include procedures to ensure compliance with procurement laws, and to keep good records of all bids and other procurement transactions.

We recommend the Fulton County Fiscal Court implement internal controls over disbursement and procurement processes to ensure there are purchase orders issued prior to purchases made, purchase orders used to maintain an accurate list of encumbrances on the fourth quarter financial statement, and proper procurement procedures established. 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: With the current process and ongoing implementation of proper internal controls, the Finance Officer and County Treasurer will be able to ensure that purchase order policy is followed and available line-item appropriation exists.

On February 19, 2024, the Fulton County Fiscal Court amended its Administrative Code to allow purchasing through State Procurement Price Contract, General Service Administration Contract (GSA), or Sourcwell. See KRS 45A.300 for specific authorization for this change. Further purchases through these routes will be permitted by the County Administrative Code.

**FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-005 The Fulton County Jailer Did Not Comply With Bid Requirements For A Commissary Purchase

The Fulton County Jailer purchased a medical sensor system using commissary funds totaling \$90,000. The medical sensor system was an allowable commissary purchase, however, the detention center failed to adhere to the state and county's competitive bid requirements. Furthermore, the sensor system also requires an agreement for monitoring and software support that costs \$22,000 every three years. This agreement was presented to the fiscal court after it was entered.

According to a memo dated March 8, 2023 from the Fulton County Jailer to the Fulton County Fiscal Court, the jailer was under the impression that they could use the guidance set for by KRS 45A.005 (Kentucky Model Procurement) for sole source vendors. However, the Fulton County Fiscal Court has not adopted Kentucky Model Procurement, so the guidance is not applicable to the county. Due to this misunderstanding, the Fulton County Detention Center was not in compliance with the state or county competitive bidding requirements. This increased the risk of misappropriation of funds, and the county potentially did not get the best price for the goods and services purchased.

The Fulton County Fiscal Court's administrative code states "[a]ny expenditure or contract for materials, supplies (except perishable meat, fish, vegetables, breads and other food related products for the Fulton County Detention Center), equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) shall be subject to competitive bidding."

KRS 424.260(1) states, "[e]xcept where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for:

- (a) Materials;
- (b) Supplies, except perishable foods such as meat, poultry, fish, egg products, fresh vegetables, and fresh fruits;
- (c) Equipment; or
- (d) Contractual services other than professional;
involving an expenditure of more than forty thousand dollars (\$40,000) without first making newspaper advertisement for bids.

In addition, strong internal controls require management to monitor disbursements to ensure compliance with bid laws.

We recommend the Fulton County Detention Center strengthen internal controls to ensure compliance with KRS 424.260 for all future purchases. We also recommend that all contracts be presented to the fiscal court prior to their ratification to ensure the fiscal court's acknowledgement.

**FULTON COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For The Year Ended June 30, 2023
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2023-005 The Fulton County Jailer Did Not Comply With Bid Requirements For A Commissary Purchase
(Continued)

Views of Responsible Official and Planned Corrective Action:

Jailer's Response: This finding results from a large purchase involving non-taxpayer COMMISSARY funds in which some new technology was purchased to further enhance the safety of prisoners here at our facility. The technology is some medical sensors which monitor heart rate and respiration rate of the inmates in isolation cells to potentially notify of medical emergencies. This technology was so new at the time that we were in the running to be the first institution nationally to have this equipment installed and operational. And as such, the company was and still are the only licensed dealer to sell these medical sensors. This was a large purchase and as such, I did my research regarding the County's procurement policy. The County's procurement policy does not address the purchase from a "sole source" vendor. I, mistakenly then checked with KRS 45A, the model procurement policy which does address those purchases from "sole source" vendors. As they are the only vendor to sell these sensors, I did not advertise for bids and made the purchase with would have not been a finding according to KRS 45A but is a finding as the County has adopted our own procurement policy. The thought process behind not bidding it out to the one and only dealer was to not intentionally and knowingly waste money on the advertising as they are the only company who sells the sensors. I thought the intent of the legislature was for KRS 45A to be a model policy and in the case of our policy not addressing the "single or sole source" vendor referred to it for guidance in regard to the purchase.

In regard to the agreement taken before the Fiscal Court, it was brought before the court along with a demonstration of the equipment so they could vote on it. A lot of items are brought to the court for ratification purposes as the Fiscal Court still has the ability to vote on the item, either in agreement or in disagreement. In this instance, it is involving non-taxpayer funds that the Court does not have control over. I was trying to be transparent and forthright by bringing it to them and explaining why the decision was made. At the time the Court voted to approve the agreement for monitoring and software, the equipment was not fully installed and operational, as it took some time for the ordering and installation of the sensors."