

SINGLE AUDIT REPORTS

**TOWN OF FULTON,
TEXAS**

**For the Year Ended
September 30, 2023**

TOWN OF FULTON, TEXAS
SINGLE AUDIT REPORTS
September 30, 2023

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Fulton, Texas (the "Town"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 9, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(Continued)

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs*. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, slightly slanted style.

Crowe LLP

Houston, Texas
October 9, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Town of Fulton, Texas' (the "Town") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended September 30, 2023. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. 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, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated October 9, 2024 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Houston, Texas
October 9, 2024

TOWN OF FULTON, TEXAS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended September 30, 2023

No prior year findings.

TOWN OF FULTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

What were the results of the auditor's determination of whether the financial statements of the auditee were prepared in accordance with generally accepted accounting principles?	Unmodified
Is a 'going concern' emphasis-of-matter paragraph included in the audit report?	No
Is a significant deficiency in internal control disclosed?	No
Is a material weakness in internal control disclosed?	Yes
Is material noncompliance disclosed?	No

Federal Awards

Type of audit report issued on compliance for each major program	Unmodified
Is a significant deficiency in internal control over major programs disclosed?	No
Is a material weakness in internal control over major programs disclosed?	No
Does the auditor's report include a statement that the financial statements include departments, agencies, or other organizational units expending federal awards which are not included in this audit?	No
What is the dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Did the auditee qualify as low-risk auditee?	No
Did the audit disclose any audit findings that the auditor is required to report under Uniform Guidance 2 CFR §200.516 Audit Findings paragraph (a)?	No

Major Program Information and Audit Findings

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Number of Audit Findings</u>
14.228	Community Development Block Grant	0

TOWN OF FULTON, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended September 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weaknesses:

2023-001 YEAR END CLOSING AND REVIEW PROCEDURES

Criteria: Internal controls over financial reporting are a key component of an organization's control environment. Applicable standards state that management is responsible for having internal controls in place to provide timely and reliable financial reports.

Condition: During the audit, it was noted that management did not have adequate controls in place to allow for timely and accurate financial reporting, resulting in several audit adjustments for year-end closing.

Context: As a result of audit procedures performed, several accounts had to be adjusted to recognize the appropriate balances at year-end to correct beginning fund balances, record grant revenues, and to record retainage payables.

Effect: The existence of inaccurate transaction postings, as well as the lack of timely account reconciliations, could affect the financial statement information that is available for making informed business decisions and supervision of operations. This weakness in the financial reporting controls infrastructure increases the risk of errors in the financial records and is less likely to detect irregularities, including fraud, on a timely basis.

Recommendation: The Town should establish year-end closing procedures and controls in which management reviews and reconciles all detailed subsidiary ledgers to the general ledger accounts to ensure that beginning fund balance, grant revenues, and retainage payable are appropriately recorded.

Views of Responsible Officials and Planned Corrective Actions: See Corrective Action Plan.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None identified.

CORRECTIVE ACTION PLAN

2023-001 YEAR END CLOSING AND REVIEW PROCEDURES

Views of Responsible Officials and Planned Corrective Actions: In regards to the finding, the Town notes the following:

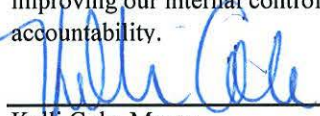
Software Change and Data Compilation Issues: The audit commenced in November 2023, during which we informed the audit team about the challenges in compiling financial data from the Fulton Pier POS system due to a software change in September 2023. This change resulted in difficulties in extracting accurate and complete data for the year-end closing process. Adjustments were expected after the audit team received the trial balance to begin the audit.

Miscommunication: There was a miscommunication between the Town and the Audit team regarding the issues with the trial balance and general ledger provided. The Town was unaware of the specific challenges faced by the audit team in accessing and utilizing the provided information, which caused delays in issuing the audit. We acknowledge that better communication channels should have been established to address these issues promptly.

Remedial Actions: The Town is committed to addressing the weaknesses identified and taking appropriate remedial actions. We have initiated a thorough review of the year-end trial balance provided to ensure its accuracy and completeness. Additionally, we are working closely with the Fulton Pier POS system provider to resolve any software-related issues and streamline the data compilation process for future year-end closings.

Enhanced Communication: To prevent similar issues in the future, we will establish a more robust communication framework with the Audit team. This will include regular meetings and updates to ensure a clear understanding of any challenges or changes that may impact the audit process. We recognize the importance of timely and effective communication to facilitate a smooth and efficient audit.

By implementing these measures, the Town is confident that we will strengthen our year-end closing procedures and controls, ensuring the timely and accurate recording of financial transactions. We are committed to continuously improving our internal controls and financial reporting processes to meet the highest standards of transparency and accountability.



Kelli Cole, Mayor
October 10, 2024

TOWN OF FULTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal AL Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Pass-through Texas Department of Public Safety Division of Emergency Management</i>			
<i>Federal Emergency Management Agency Public Assistance (PA) Grant Program</i>			
Disaster Grants - Public Assistance	97.036	FEMA-4332-DR-TX	\$ 169,380
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>169,380</u>
U.S. DEPARTMENT OF TREASURY			
<i>Direct Award</i>			
COVID-19 Coronavirus Local Fiscal Recovery Fund	21.027	N/A	4,889
TOTAL U.S. DEPARTMENT OF TREASURY			<u>4,889</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Pass-through Texas General Land Office</i>			
Community Development Block Grant	14.228	20-065-054-C164	2,319,479
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>2,319,479</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 2,493,748</u></u>

See accompanying notes to schedules of expenditures of Federal awards.

TOWN OF FULTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2023

1. REPORTING ENTITY

The accompanying schedule of expenditures of federal awards (the “Schedule”) presents the activity of all federal financial assistance programs of the Town of Fulton, Texas (the “Town”).

2. BASIS OF ACCOUNTING

The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent, adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

4. INDIRECT COST RATE

The Town has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.