TOWN OF FULTON, TEXAS

SINGLE AUDIT REPORT

For the year ended September 30, 2024

TOWN OF FULTON, TEXAS

SINGLE AUDIT REPORT
For the year ended September 30, 2024

TABLE OF CONTENTS

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*	1
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULES	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	8
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	13

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, each major fund, and the aggregate remaining fund information of the Town of Fulton, Texas (the "Town") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated August 17, 2026.

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 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we consider to be material weaknesses.

(Continued)

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*.

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.

Crowe LLP

Crowe LLP

Houston, Texas
August 17, 2026

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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, 2024. 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, 2024.

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 (*Government Auditing Standards*); 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 were not identified.

(Continued)

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.

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.

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, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements. We issued our report thereon dated August 17, 2026, 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.

Crowe LLP

Crowe LLP

Houston, Texas
August 17, 2026

TOWN OF FULTON, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2024

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			
Pass-through Texas Department of Public Safety			
Division of Emergency Management			
Federal Emergency Management Agency -			
Public Assistance (PA) Grant Program			
Disaster Grants - Public Assistance	97.036	4332-DR-TX Project #6735	$ 331,866
Disaster Grants - Public Assistance	97.036	4332-DR-TX Project #375	142,841
Subtotal - ALN 97.036			474,707
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			474,707
U.S. DEPARTMENT OF TREASURY			
Direct Award			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	270,589
TOTAL U.S. DEPARTMENT OF TREASURY			270,589
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through Texas General Land Office			
Community Development Block Grant	14.228	20-065-054-C164	1,864,660
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			1,864,660
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,609,956

NOTE 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").

NOTE 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.

NOTE 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.

NOTE 4 - INDIRECT COST RATE

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

Assistance Listing (AL) Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weaknesses:

2024-001. 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, several audit adjustments were identified that were necessary to present the Town's financial statements in accordance with generally accepted accounting principles. These adjustments primarily related to beginning fund balances, grant receivables and revenues, and other year-end balances. The Town was also navigating a transition to a new audit firm, and recommendations related to strengthening the year-end financial reporting process from the prior audit were not available until after the fiscal year under audit had ended. Accordingly, those recommendations could not be incorporated into the Town's year-end closing procedures for the period under audit.

Context: As a result of audit procedures performed, adjustments were necessary to correct beginning fund balances for a net $61,958, reverse prior-year grant revenues and receivables for $1,053,939, record current-year grant revenues and receivables for $399,581, and write off an uncollectible receivable for $36,365 to present the year-end balances in accordance with generally accepted accounting principles.

Effect or potential effect: Although the audit adjustments resulted in the financial statements being fairly presented, the need for multiple year-end adjustments indicates that the Town's financial reporting controls did not consistently identify all items requiring correction during the closing process. Continued strengthening of year-end review and reconciliation procedures will reduce the risk of future misstatements and improve the timeliness and reliability of financial information used by management and those charged with governance.

Repeat Finding: 2023-001

Recommendation: The Town should continue to strengthen its year-end closing and financial reporting controls by enhancing management's review and reconciliation procedures over significant account balances. Emphasis should be placed on timely reconciliation of subsidiary ledgers to the general ledger and review of beginning fund balances, grant receivables and revenues, and other significant year-end accounts to improve the accuracy and completeness of the financial reporting process.

Views of Responsible Officials and Planned Corrective Actions: Management’s response and corrective action plan are included in the accompanying corrective action plan.

2024-002. Construction in Progress Adjustments

Criteria: Management is responsible for maintaining adequate internal controls to ensure capital asset activity and federally funded project expenditures are accurately recorded and reported in the financial statements and supporting schedules.

Condition: During capital asset testing, it was noted that the beginning Construction in Progress (CIP) balance for the Roadway and Drainage Improvements project funded through the Community Development Block Grant (CDBG) program was understated. As a result, an adjustment was required to restate the beginning CIP balance and appropriately reflect cumulative project costs.

(Continued)

2024-002. Construction in Progress Adjustments (Continued)

Context: Audit procedures determined that certain engineering costs incurred for the project had not been included in the beginning CIP balance, although the expenditures were supported by project documentation maintained by management. During the audit, management provided detailed project records that enabled the identification and correction of the omitted costs.

Effect: The beginning CIP balance and related net position required adjustment to ensure the financial statements accurately reflected cumulative project costs. Strengthening reconciliation procedures will help reduce the likelihood of similar adjustments in future reporting periods.

Repeat Finding: N/A

Recommendation: The Town should strengthen procedures for tracking and reconciling capital project expenditures, including periodic reconciliation to CIP activity and grant reporting schedules.

Views of Responsible Officials and Planned Corrective Actions: Management's response and corrective action plan are included in the accompanying corrective action plan.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Identified.

Town of Fulton

201 N. SEVENTH ST.
P.O. BOX 1130
FULTON, TEXAS 78358
361-729-5533

Corrective Action Plan

The Town respectfully submits the following corrective action plan for the findings identified in the audit for the fiscal year ended September 30, 2024.

Finding 2024-001 – Year End Closing and Review Procedures

Management's Response:

Management agrees with the finding and recognizes the importance of maintaining effective year-end closing and financial reporting procedures so that significant account balances are complete, accurate, properly supported, and recorded in accordance with generally accepted accounting principles.

During the fiscal year under audit, the Town was affected by a transition between audit firms and a substantial change in the audit process. The fiscal year 2023 audit adjustments were not provided until on or about September 29–30, 2024, at or immediately before the fiscal year 2024 year-end. This timing left management insufficient time to post the prior-year adjustments, reconcile affected beginning balances, and fully incorporate the prior-year audit results into the fiscal year 2024 closing process. The fiscal year 2024 engagement also began later than originally contemplated and was conducted remotely, without the on-site fieldwork historically used for the Town's largely paper-based records.

Corrective Action:

The Town will strengthen its year-end closing and financial reporting procedures by enhancing the review and reconciliation of significant account balances, including beginning fund balances, grant receivables and revenues, and other material year-end accounts. Management will also review prior-year audit adjustments and findings as part of the annual closing process to determine whether similar adjustments or conditions may affect the current fiscal year.

The Town has also strengthened its process for procuring and managing the annual audit. The Town Council approved a Request for Qualifications for audit services for the fiscal year 2025 audit. The Town will require the selected audit firm to provide appropriate lead schedules and proposed audit adjustments for management's review before the financial statements are finalized, provide an on-site presence during fieldwork, and establish a timeline designed to complete and issue the audit within 180 days after fiscal year-end.

Responsible Officials: Kelli Cole, Mayor; Steven L. Robertson, CPA, Comptroller
Anticipated Completion Dates: March 31, 2026, for the enhanced year-end review procedures; September 30, 2026, for completion of auditor procurement and incorporation of the specified engagement requirements.

Finding 2024-002 – Construction in Progress Adjustments

Management's Response:

Town of Fulton

201 N. SEVENTH ST.
P.O. BOX 1130
FULTON, TEXAS 78358
361-729-5533

Corrective Action Plan

Management agrees with the finding and will strengthen its procedures for tracking and reconciling construction in progress and other capital project expenditures. Management maintains detailed supporting documentation for capital projects; however, the Town recognizes that additional reconciliation procedures are necessary to ensure that all qualifying project costs are timely and completely reflected in the accounting records.

The capital asset reconciliation was also affected by the timing of the audit-firm transition and the availability of the auditor's capital asset schedule. The Town's capital asset detail had not agreed with the auditor's schedule since the fiscal year ended September 30, 2022, and the current schedule was not provided to the Town until approximately March 2025. Management was therefore required to reconstruct the fiscal year 2023 balances before completing the fiscal year 2024 roll-forward.

Corrective Action:
The Town will implement procedures to periodically reconcile capital project expenditures recorded in the general ledger to construction in progress records, capital asset schedules, and applicable grant records. These procedures are intended to ensure that cumulative project costs, including engineering and other capitalizable costs associated with federally funded projects, are accurately and completely reflected in the Town's financial statements and supporting schedules.

The Town will also require the selected audit firm to provide its capital asset and construction in progress lead schedules for management's review and reconciliation before the financial statements are finalized. Management will review additions, retirements, depreciation, transfers from construction in progress, and remaining construction in progress before the audit is presented.

Responsible Officials: Kelli Cole, Mayor; Steven L. Robertson, CPA, Comptroller
Anticipated Completion Dates: March 31, 2026, for implementation of the internal capital asset and construction in progress review procedures; September 30, 2026, for incorporation of the specified lead-schedule requirements into the new audit engagement.

SUMMARY OF PRIOR AUDIT FINDINGS

Finding 2023-001 – Year End Closing and Review Procedures

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.

Current Status: Not Corrected.

Explanation of Current Status: Although management began establishing year end closing procedures and controls processes, they were not consistently applied during the year.

Planned Corrective Action: The Town is continuing to improve its year end closing procedures and controls processes to ensure the timely and accurate financial reporting.

Reference to Current Year Finding: 2024-001.