

FULTON COUNTY TRANSIT AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

June 30, 2021

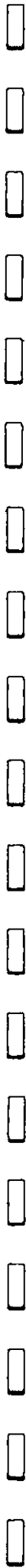






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Independent Auditor's Report

Board of Directors
Fulton County Transit Authority
Fulton, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Fulton County Transit Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

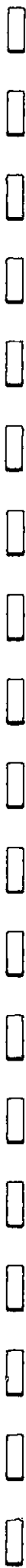
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Fulton County Transit Authority as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison information on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has omitted management's discussion and analysis, and our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fulton County Transit Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule 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. Such 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022 on our consideration of the Transit Authority'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 the Transit Authority's 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 Fulton County Transit Authority's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Union City, Tennessee
March 10, 2022



**FULTON COUNTY TRANSIT AUTHORITY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET**

June 30, 2021

	General Fund	Adjustments (Note 2)	Statement of Net Position
ASSETS			
Cash	\$ 756,757	\$ -	\$ 756,757
Accounts receivable	11,821	-	11,821
Prepaid insurance	10,695	-	10,695
Utility deposits	422	-	422
Capital assets (net of accumulated depreciation)			
Vehicles	-	809,590	809,590
Buildings	-	558,683	558,683
Equipment	-	46,390	46,390
	\$ 779,695	\$ 1,414,663	2,194,358
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 42,157	\$ -	42,157
Payroll taxes payable	25,730	-	25,730
Note payable - line of credit	38,814	-	38,814
Total liabilities	106,701	-	106,701
Fund balance/Net position			
Fund balance			
Unassigned	672,994	(672,994)	-
Total liabilities and fund balance	\$ 779,695		
Net position			
Investment in capital assets		1,414,663	1,414,663
Unrestricted		672,994	672,994
Total net position		\$ 1,414,663	\$ 2,087,657

The accompanying notes are an integral part of these financial statements.



FULTON COUNTY TRANSIT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
Revenues			
Federal and state grant revenue	\$ 1,670,662	\$ -	\$ 1,670,662
Farebox revenue	185,085	-	185,085
Contract services	1,381,359	-	1,381,359
Bus ticket sales	7,123	-	7,123
Interest income	373	-	373
Sale of vehicles/loss on sale	27,128	(25,667)	1,461
Fuel tax refunds	14,249	-	14,249
Donations	2,000	-	2,000
Miscellaneous	6,850	-	6,850
Total revenues	<u>3,294,829</u>	<u>(25,667)</u>	<u>3,269,162</u>
Expenditures			
Drivers' wages	1,019,166	-	1,019,166
Payroll taxes	89,668	-	89,668
Workers' compensation insurance	67,611	-	67,611
Retirement	2,387	-	2,387
Health insurance	146,237	-	146,237
Fleet insurance	119,638	-	119,638
Property insurance	27,224	-	27,224
Fuel and lubricants	223,441	-	223,441
Building maintenance	5,018	-	5,018
Radio maintenance	998	-	998
Vehicle repairs and maintenance	45,821	-	45,821
Depreciation	-	462,069	462,069
Drug testing and physicals	9,035	-	9,035
Outside services	56,253	-	56,253
Supplies	48,675	-	48,675
Administrative wages	310,080	-	310,080
Administrative payroll taxes	20,809	-	20,809
Unemployment	21,943	-	21,943
Building and equipment rent	21,696	-	21,696
Taxes and licenses	182	-	182
Uniforms	11,434	-	11,434
Telephone	59,086	-	59,086
Utilities	25,516	-	25,516
Office supplies	42,442	-	42,442
Travel and training	4,304	-	4,304
Dues and subscriptions	3,358	-	3,358
Bonding	255	-	255
Professional services	25,588	-	25,588
Advertising	38,908	-	38,908
Interest	14,274	-	14,274
Postage	1,300	-	1,300

The accompanying notes are an integral part of these financial statements.

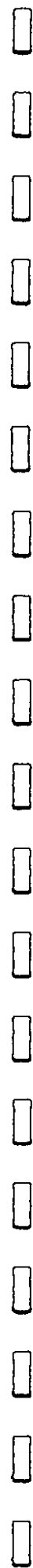


FULTON COUNTY TRANSIT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2021

	General Fund	Adjustments (Note 2)	Statement of Activities
Grant expenditures	550	-	550
Capital expenditures	72,785	(72,785)	-
Miscellaneous administrative	3,980	-	3,980
Total expenditures	2,539,662	389,284	2,928,946
Revenues over expenditures	755,167	(414,951)	340,216
Fund balance/Net position - July 1, 2020	(82,173)	1,829,614	1,747,441
Fund balance/Net position - June 30, 2021	\$ 672,994	\$ 1,414,663	\$ 2,087,657

The accompanying notes are an integral part of these financial statements.



FULTON COUNTY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization and Reporting Entity

The Fulton County Transit Authority was organized as a governmental corporation for the purpose of providing transportation services to patrons in Fulton County and the surrounding area. The activity reported by the Transit Authority in this report are those controlled by the Transit Authority's Board of Directors.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Transit Authority's financial statements have been prepared in conformity with generally accepted accounting principles as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flow. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Transit Authority is a special-purpose government; therefore, the government-wide and fund financial statements have been combined. The statement of net assets and the governmental fund balance sheet reports information on all of the non-fiduciary activities of the Transit Authority. The first column represents the general fund. The second column reflects the adjustments necessary to convert the amounts in the general fund to the accrual basis of accounting. The statement of activities and governmental fund revenues, expenditures, and changes in fund balance reports the general fund activity adjusted to the accrual basis of accounting.

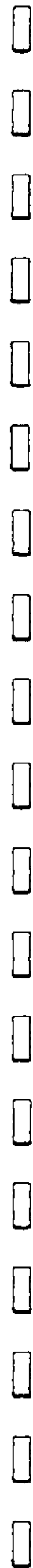
In general, federal and state grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Transit Authority reports the general fund as its only fund; it accounts for all financial resources of the entity.

C. Assets, Liabilities, and Fund Balance or Net Position

Deposits and Investments

The Transit Authority's cash consists of unrestricted demand deposit accounts and working funds. State statute (KRS 66.480) authorizes the Transit Authority to invest in obligations of the United



**FULTON COUNTY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021

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).

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 for vehicles and equipment. Such assets are recorded at historical cost and depreciated over their estimated useful lives using the straight-line method. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Compensated Absences

Compensated absences can be carried over; however, the Transit Authority has determined that these amounts are immaterial to the financial statements and, therefore, they have not been accrued.

Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Transit Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In the governmental fund, the Transit Authority's policy is to first apply the expenditure toward restricted fund balance and then to committed and assigned fund balances before using unassigned fund balance.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The financial statements include adjustments that reconcile the governmental fund balance sheet to the government-wide statement of net position. Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund. However, the statement of net position includes those capital assets, net of accumulated depreciation, as follows:

Cost of capital assets	\$ 3,646,170
Less: accumulated depreciation	<u>(2,231,507)</u>
Net adjustment	<u>\$ 1,414,663</u>

The financial statements also include adjustments between the net change in governmental fund balance as reported in the governmental fund statement of revenues, expenditures, and changes in fund balance and the change in net position of governmental activities as reported in the government-wide statement of activities. These adjustments pertain to the reporting of capital asset activity for the current year. One difference is that governmental funds report capital asset purchases as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$389,284 difference are as follows:

Capital assets purchased	\$ 72,785
Depreciation expense	<u>(462,069)</u>
Net adjustment	<u>\$ 389,284</u>



FULTON COUNTY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Another difference in reporting capital asset activity is related to sales of capital assets. In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the depreciated cost remaining on the capital assets sold.

Cost of capital assets sold	\$	55,844
Less: accumulated depreciation		(30,177)
Net adjustment	\$	<u>25,667</u>

NOTE 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Invested Funds

The Transit Authority maintained deposits of public funds with depository institutions insured by FDIC as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

Custodial credit risk is the risk that in the event of a depository institution failure, the Transit Authority's deposits may not be returned. The Transit Authority does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits are held at institutions insured by federal depository insurance. Deposits as of June 30, 2021, were fully insured or collateralized.

B. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Capital assets being depreciated:				
Vehicles	\$ 2,504,486	\$ 41,731	\$ 20,844	\$ 2,525,373
Buildings	841,268	5,400	-	846,668
Equipment	283,475	25,654	35,000	274,129
Total capital assets	<u>3,629,229</u>	<u>72,785</u>	<u>55,844</u>	<u>3,646,170</u>
Less accumulated depreciation for:				
Vehicles	1,329,942	406,685	20,844	1,715,783
Buildings	262,842	25,143	-	287,985
Equipment	206,831	30,241	9,333	227,739
Total accumulated depreciation	<u>1,799,615</u>	<u>462,069</u>	<u>30,177</u>	<u>2,231,507</u>
Governmental activities capital assets, net	<u>\$ 1,829,614</u>	<u>\$ (389,284)</u>	<u>\$ 25,667</u>	<u>\$ 1,414,663</u>



FULTON COUNTY TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

C. Debt

The Transit Authority has a note payable to Citizens Bank for a line of credit up to \$150,000 that matures on May 17, 2024, with a fixed interest rate of 4.5%. Annual interest payments are due each May 17th, with all outstanding principal due at maturity. This note is secured by a mortgage dated May 17, 2019, on real property located at 302 Eastwood Dr., Fulton, Kentucky. In case of default, the interest rate shall increase by two percentage points and the entire unpaid principal balance and all accrued unpaid interest may be declared immediately due.

Activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
The Citizens Bank - line of credit	<u>\$ 139,833</u>	<u>\$ -</u>	<u>\$ 101,019</u>	<u>\$ 38,814</u>

NOTE 4 – OTHER INFORMATION

A. Risk Management

The Transit Authority is exposed to various risks related to general liability, property and casualty losses, worker's compensation, and auto liability. The Transit Authority is a member of the Kentucky Association of Counties (KACo) which is a public entity risk pool. The Transit Authority pays premiums to KACo for the above insurance risks. During the current year, the Transit Authority paid premiums to a commercial insurance carrier for employee health insurance. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

B. Retirement Plan

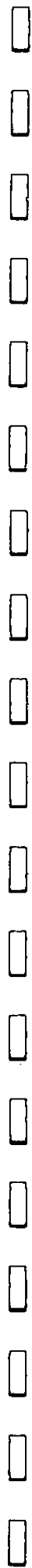
The Transit Authority has a 457(b) plan for its employees entitled the FCTA Deferred Compensation Plan. The Transit Authority will match 1.25 percent for each employee's contribution up to 5% of pay. The maximum deferral amount for 2021 per participant is \$19,500. For the year ended June 30, 2021, the Transit Authority contributed \$2,387.



FULTON COUNTY TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2021

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Over</u>
			<u>Basis</u>	<u>(Under)</u>
Revenues				
Federal and state grant revenue	\$ 2,694,424	\$ 2,694,424	\$ 1,670,662	\$ (1,023,762)
Farebox revenue	163,788	163,788	185,085	21,297
Contract services	800,000	800,000	1,381,359	581,359
Other	14,200	14,200	16,346	2,146
Sale of vehicles	-	-	27,128	27,128
Fuel tax refunds	-	-	14,249	14,249
Total revenues	<u>3,672,412</u>	<u>3,672,412</u>	<u>3,294,829</u>	<u>(377,583)</u>
Expenditures				
Drivers' wages	1,389,708	1,389,708	1,019,166	(370,542)
Fringe benefits	378,226	378,226	305,903	(72,323)
Insurance	250,000	250,000	146,862	(103,138)
Fuel and lubricants	283,471	283,471	223,441	(60,030)
Building maintenance	6,000	6,000	5,018	(982)
Radio maintenance	1,000	1,000	998	(2)
Vehicle repairs and maintenance	56,773	56,773	45,821	(10,952)
Drug testing and physicals	9,000	9,000	9,035	35
Outside services	110,000	110,000	56,253	(53,747)
Miscellaneous operating	137,927	137,927	48,675	(89,252)
Administrative wages	500,965	500,965	310,080	(190,885)
Administrative payroll taxes	48,692	48,692	42,752	(5,940)
Building and equipment rent	29,000	29,000	21,696	(7,304)
Taxes and licenses	-	-	182	182
Uniforms	7,000	7,000	11,434	4,434
Telephone	89,000	89,000	59,086	(29,914)
Utilities	55,000	55,000	25,516	(29,484)
Office supplies	43,500	43,500	42,442	(1,058)
Travel and training	6,000	6,000	4,304	(1,696)
Dues and subscriptions	-	-	3,358	3,358
Bonding	-	-	255	255
Professional services	34,000	34,000	25,588	(8,412)
Advertising	35,000	35,000	38,908	3,908
Interest	-	-	14,274	14,274
Postage and printing	2,000	2,000	1,300	(700)
Grant expenses	-	-	550	550
Capital expenditures	198,150	198,150	72,785	(125,365)
Miscellaneous administrative	2,000	2,000	3,980	1,980
Total expenditures	<u>3,672,412</u>	<u>3,672,412</u>	<u>2,539,662</u>	<u>(1,132,750)</u>
Revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 755,167</u>	<u>\$ 755,167</u>

See independent auditor's report



FULTON COUNTY TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2021

Grantor Agency/ Pass-through Agency/ Program Name or Cluster Title	CFDA Number	State Grant Number	Passed Through to Subrecipients	Balance 7/1/2020	Cash Receipts	Total Federal Expenditures	Balance 6/30/2021
U.S. Department of Transportation/ Pass-through Kentucky Department of Transportation/							
Federal Transit Cluster							
Section 5339 Federal Capital Assistance Program - CARES	20.526	C111120114	-	\$ -	\$ 24,095	\$ 24,095	\$ -
Section 5339 Federal Capital Assistance Program	20.526	C390317114	-	-	5,400	5,400	-
Total Federal Transit Cluster			-	-	<u>29,495</u>	<u>29,495</u>	-
Formula Grants for Rural Areas							
Operating	20.509	O111120300	-	(78,016)	338,378	260,362	-
Operating - Intercity - CARES	20.509	O110421300	-	-	597,304	597,304	-
Operating - CARES	20.509	O111120300	-	-	701,996	701,996	-
Operating - Intercity - CARES	20.509	O111120634	-	(4,829)	75,242	70,413	-
Operating - Intercity	20.509	O111120634	-	-	11,092	11,092	-
Total Formula Grants for Rural Areas			-	<u>(82,845)</u>	<u>1,724,012</u>	<u>1,641,167</u>	-
Total federal awards			-	<u>\$ (82,845)</u>	<u>\$ 1,753,507</u>	<u>\$ 1,670,662</u>	<u>\$ -</u>



FULTON COUNTY TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

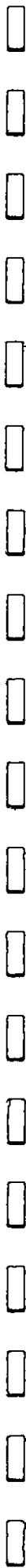
The accompanying schedule of expenditures of federal awards includes the federal award activity of Fulton County Transit Authority under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of U.S. Code of Federal Regulations, Title 2, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Transit Authority, it is not intended to, and does not, present the financial position or changes in financial position of Fulton County Transit Authority.

Note 2 – Summary of Significant Accounting Policies

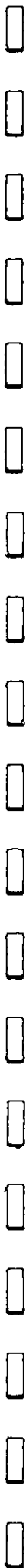
Expenditures in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on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

Note 3 – Indirect Cost Rate

Fulton County Transit Authority has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



INTERNAL CONTROL AND COMPLIANCE





Independent Auditor's Report

Board of Directors
Fulton County Transit Authority
Fulton, Kentucky

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 financial statements of the governmental activities and the major fund of Fulton County Transit Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Transit Authority's basic financial statements, and have issued our report thereon dated March 10, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fulton County Transit Authority'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 Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transit Authority'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 entity'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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fulton County Transit Authority'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*.

Fulton County Transit Authority's Response to Findings

Fulton County Transit Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Transit Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Alexander Thompson Arnold PLLC

Union City, Tennessee
March 10, 2022





Independent Auditor's Report

Board of Directors
Fulton County Transit Authority
Fulton, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Fulton County Transit Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Transit Authority's major federal programs for the year ended June 30, 2021. Fulton County Transit Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fulton County Transit Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fulton County Transit Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Fulton County Transit Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Fulton County Transit Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



Report on Internal Control over Compliance

Management of Fulton County Transit Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Transit Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Transit Authority's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Alexander Thompson Arnold PLLC

Union City, Tennessee
March 10, 2022



FULTON COUNTY TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial Statements were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- material weakness(es) identified? yes no
- significant deficiency(ies) identified? yes none reported
- noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- material weakness(es) identified? yes no
- significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas and Tribal Transit Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no



**FULTON COUNTY TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021**

Section II – Financial Statement Findings

2021-001 Accounts Receivable Not Reconciled

Condition: The detailed listing of accounts receivable provided by management at June 30, 2021, did not agree with the general ledger account.

Cause: Management did not reconcile the general ledger account to the detailed listing of accounts receivable.

Criteria: Kentucky Revised Statutes require that books of original entry must be organized and maintained so that financial reporting will comply with generally accepted accounting principles as outlined in the Governmental Accounting Standards Board Codification. One characteristic of these standards is understandability, which means that the accounting system must provide a clear trail from the original transactions to the final financial reports.

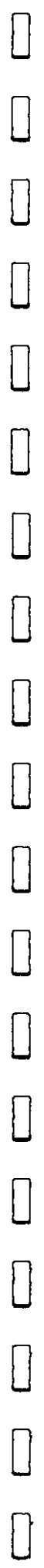
Effect: The original transactions for accounts receivable do not tie to the financial reports. The detail provided by management totaled \$14,015 and the general ledger reported a balance of \$11,822 with no reconciliation provided. Failure to maintain accurate detail of general ledger accounts increases the risk that the Transit Authority's financial statements will be misstated.

Recommendation: We recommend that management reconcile accounts receivable general ledger balances to the detailed listing on a regular basis, at least monthly. The reconciliations and detailed listings should be kept on file in the Transit Authority's books and records.

Management's Response: *FCTA will work with our accounting firm to come up with a method to insure our General Ledger is balanced.*

Section III – Federal Award Findings and Questioned Costs

There were no findings required to be reported by 2 CFR Section 200.516(a).



FULTON COUNTY TRANSIT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

Financial Statement Findings

There were no prior year findings reported.

Federal Award Findings and Questioned Costs

There were no prior year findings or questioned costs reported.

