



**Auditor of State  
Betty Montgomery**



VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Fultonham  
Muskingum County  
1234 Lindbergh Street  
Zanesville, Ohio 43701

To the Village Council:

We have audited the accompanying financial statements of the Village of Fultonham, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Fultonham, Muskingum County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 21, 2003

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$1,796	\$	\$1,796
Intergovernmental Receipts	11,988	3,007	14,995
Earnings on Investments	291	280	571
<b>Total Cash Receipts</b>	<u>14,075</u>	<u>3,287</u>	<u>17,362</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,536		1,536
Basic Utility Services	305		305
Transportation	262	1,550	1,812
General Government	3,833		3,833
<b>Total Cash Disbursements</b>	<u>5,936</u>	<u>1,550</u>	<u>7,486</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>8,139</u>	<u>1,737</u>	<u>9,876</u>
Fund Cash Balances, January 1	<u>61,625</u>	<u>13,611</u>	<u>75,236</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$69,764</u></u>	<u><u>\$15,348</u></u>	<u><u>\$85,112</u></u>

*The notes to the financial statements are an integral part of this statement.*

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$1,615	\$	\$1,615
Intergovernmental Receipts	12,534	2,912	15,446
Earnings on Investments	358	366	724
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	14,507	3,278	17,785
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,672		1,672
Basic Utility Services	566		566
Transportation	126	1,556	1,682
General Government	5,322		5,322
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	7,686	1,556	9,242
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	6,821	1,722	8,543
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	54,804	11,889	66,693
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$61,625</u></b>	<b><u>\$13,611</u></b>	<b><u>\$75,236</u></b>

*The notes to the financial statements are an integral part of this statement.*



**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Fultonham, Muskingum County (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides street lighting and maintenance.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not properly encumber commitments as required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2002	2001
Total deposits	<u>\$85,112</u>	<u>\$75,236</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,901	\$14,075	(\$1,826)
Special Revenue	2,700	3,287	587
Total	\$18,601	\$17,362	(\$1,239)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$78,410	\$5,936	\$72,474
Special Revenue	16,305	1,550	14,755
Total	\$94,715	\$7,486	\$87,229

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$17,394	\$14,507	(\$2,887)
Special Revenue	2,200	3,278	1,078
Total	\$19,594	\$17,785	(\$1,809)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,931	\$7,686	\$67,245
Special Revenue	10,356	1,556	8,800
Total	\$85,287	\$9,242	\$76,045

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. RETIREMENT SYSTEMS**

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Commercial property;
- Business personal property;
- Buildings; and
- Bonds

The Village is uninsured for the following risks:

- General liability; and
- Errors and omissions



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Fultonham  
Muskingum County  
1234 Lindbergh Street  
Zanesville, Ohio 43701

To Village Council:

We have audited the financial statements of the Village of Fultonham, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 21, 2003. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 and 2002-002. We have also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 21, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 21, 2003.

This report is intended solely for the information and use of the audit committee, management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 21, 2003

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance Citation – Reportable Condition**

Ohio Rev. Code § 5705.41 (D) states that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision (Village Clerk-Treasurer) that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two “exceptions” to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that, both at the time the contract or order was made and at the time she is completing her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free of any previous encumbrances, the taxing authority (Village Council) may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
  
- B. If the amount involved is less than one thousand dollars (which was increased to \$3,000 on April 7, 2003), the fiscal officer may authorize it to be paid without affirmation of the taxing authority, upon completion of a Then and Now certificate, provided the expenditure is otherwise lawful.

The Village included certification language as part of its purchase order, and purchase orders were used for all purchases. However, the Clerk-Treasurer’s prior certification was not obtained in 99% of tested transactions and the two exceptions noted above were not properly followed.

We recommend Village personnel obtain proper certification from the Clerk-Treasurer prior to incurring any obligation on behalf of the Village.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Rev. Code §5705.40 provides that any appropriation ordinance or measure may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making an original appropriation.

During 2002, the appropriations as approved by Council on March 4, 2002 did not agree to the appropriations posted to the accounting system. The following schedule compares approved appropriations to those posted to the accounting system as of December 31, 2002:

Fund	Appropriations posted to the accounting system	Approved Appropriations	Variance
General	\$77,848	\$78,410	(\$562)

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-002 (Continued)**

**Noncompliance Citation - Ohio Rev. Code §5705.40 (Continued)**

During 2001, the appropriations as approved by Council on February 5, 2001 did not agree to the appropriations posted to the accounting system. The following schedule compares approved appropriations to those posted to the accounting system as of December 31, 2001:

Fund	Appropriations posted to the accounting system	Approved Appropriations	Variance
General	\$73,831	\$74,931	(\$1,100)
Street Maintenance	\$13,646	\$10,356	\$3,290

The amounts presented have been adjusted to reflect the appropriations approved by Village Council, as noted in Council's minutes.

We recommend Council approve all appropriation amendments or supplements and note the approval in the minutes. We also recommend the Clerk-Treasurer file all appropriation amendments or supplements with the County Auditor in order to receive certification from the County Auditor that appropriations do not exceed estimated resources, and post appropriation amendments or supplements to the accounting system only after both Council and the County Budget Commission have approved and certified the amendments or supplements.



**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-31060-001	Village posted cents per gallon taxes to the General Fund instead of to the Street Construction, Maintenance and Repair Fund.	Yes	





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF FULTONHAM**

**MUSKINGUM COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 11, 2003**