

VILLAGE OF FULTON
MORROW COUNTY
REPORT ON FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004



Mary Taylor, CPA

Auditor of State

Village Council
Village of Fulton
P. O. Box 5
Fulton, Ohio 433219

We have reviewed the *Independent Auditors' Report* of the Village of Fulton, Morrow County, prepared by Holbrook & Manter, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Fulton is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 21, 2008

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INDEPENDENT AUDITORS' REPORT

Village Council
Village of Fulton
Morrow County

We have audited the accompanying financial statements of the Village of Fulton, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004. 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 audits.

Except as discussed in the following paragraph, we conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State of Ohio prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State of Ohio permits, but does not require, governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State of Ohio permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Fulton, Morrow County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2008 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Certified Public Accountants

January 28, 2008

VILLAGE OF FULTON
MORROW COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
 FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:-			
Property and other local taxes	\$ 10,879	\$ 0	\$ 10,879
Intergovernmental	15,797	10,891	26,688
Special assessments	0	0	0
Charges for services	6,965	0	6,965
Fines, licenses and permits	1,087	0	1,087
Earnings on investments	167	1,641	1,808
Miscellaneous	515	0	515
	<hr/>	<hr/>	<hr/>
Total cash receipts	35,410	12,532	47,942
CASH DISBURSEMENTS:-			
Current;-			
Security of persons and property	3,066	0	3,066
Transportation	0	4,876	4,876
General government	24,528	565	25,093
	<hr/>	<hr/>	<hr/>
Total cash disbursements	27,594	5,441	33,035
Total receipts over (under) cash disbursements	7,816	7,091	14,907
Fund cash balances, January 1, 2005	(5,347)	71,952	66,605
	<hr/>	<hr/>	<hr/>
Fund cash balances, December 31, 2005	<u>\$ 2,469</u>	<u>\$ 79,043</u>	<u>\$ 81,512</u>
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Reserve for encumbrances, December 31, 2005	<u>\$ 970</u>	<u>\$ 0</u>	<u>\$ 970</u>

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

VILLAGE OF FULTON
MORROW COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 78,959
Total operating cash receipts	78,959
OPERATING CASH DISBURSEMENTS:-	
Current:-	
Personal services	2,123
Employee fringe benefits	419
Contractual services	39,422
Supplies and materials	14,032
Total operating cash disbursements	55,996
Net operating receipts (disbursements)	22,963
NON-OPERATING CASH RECEIPTS(DISBURSEMENTS):-	
Property and other local taxes	9,205
Intergovernmental	582
Earnings on investments	3,790
Redemption of principal	(6,000)
Interest and other fiscal charges	(30,465)
Total non-operating cash receipts (disbursements)	(22,888)
Net receipts over (under) disbursements	75
Fund cash balances, January 1, 2005	164,023
Fund cash balances, December 31, 2005	\$ 164,098

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

VILLAGE OF FULTON
MORROW COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES -
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Governmental Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
CASH RECEIPTS:-			
Property and other local taxes	\$ 8,634	\$ 0	\$ 8,634
Intergovernmental	15,470	9,836	25,306
Special assessments	0	2	2
Charges for services	6,260	0	6,260
Fines, licenses and permits	1,401	0	1,401
Earnings on investments	511	330	841
Miscellaneous	317	50	367
	<hr/>	<hr/>	<hr/>
Total cash receipts	32,593	10,218	42,811
CASH DISBURSEMENTS:-			
Current;-			
Security of persons and property	3,067	0	3,067
Public health service	53	0	53
Transportation	0	9,515	9,515
General government	40,865	2,000	42,865
	<hr/>	<hr/>	<hr/>
Total cash disbursements	43,985	11,515	55,500
Total receipts over (under) cash disbursements	(11,392)	(1,297)	(12,689)
Fund cash balances, January 1, 2004	6,045	73,249	79,294
	<hr/>	<hr/>	<hr/>
Fund cash balances, December 31, 2004	<u>\$ (5,347)</u>	<u>\$ 71,952</u>	<u>\$ 66,605</u>
Reserve for encumbrances, December 31, 2004	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

VILLAGE OF FULTON
MORROW COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
 FUND CASH BALANCES - PROPRIETARY FUND TYPES -
 FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type
	Enterprise
OPERATING CASH RECEIPTS:-	
Charges for services	\$ 78,028
Total operating cash receipts	78,028
OPERATING CASH DISBURSEMENTS:-	
Current:-	
Personal services	1,749
Employee fringe benefits	340
Contractual services	36,489
Supplies and materials	15,239
Total operating cash disbursements	53,817
Net operating receipts (disbursements)	24,211
NON-OPERATING CASH RECEIPTS(DISBURSEMENTS):-	
Property and other local taxes	9,541
Intergovernmental	134
Earnings on investments	870
Redemption of principal	0
Interest and other fiscal charges	(30,465)
Total non-operating cash receipts (disbursements)	(19,920)
Net receipts over (under) disbursements	4,291
Fund cash balances, January 1, 2004	159,732
Fund cash balances, December 31, 2004	\$ 164,023

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

**VILLAGE OF FULTON
MORROW COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:-

- A. **Description of the Entity** - The Village of Fulton, Morrow County, Ohio, (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 general government services and sewer utilities.

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. **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:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

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 Funds:

Street Construction, Maintenance and Repair Fund

This fund receives gasoline tax, motor vehicle tax money and municipal income taxes for constructing, maintaining and repairing Village streets.

Enterprise Fund

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The village had the following significant Enterprise Fund:

Sewer and Operations Fund

This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:- (continued)

- D. Budgetary Process** - The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

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

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 and amendments.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

- E. 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.

NOTE 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 and investments at December 31 was as follows:

	2005	2004	
Demand deposits	\$ 245,610	\$ 230,628	
	\$ 245,610	\$ 230,628	

Deposits – The Village’s deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution’s public entity deposit pool.

VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY :-

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 31,941	\$ 35,410	\$ 3,469
Special Revenue	10,250	12,532	2,282
Proprietary	<u>89,430</u>	<u>92,536</u>	<u>3,106</u>
Total	\$ <u>131,621</u>	\$ <u>140,478</u>	\$ <u>8,857</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 37,076	\$ 28,564	\$ 8,512
Special Revenue	10,650	5,441	5,209
Proprietary	<u>97,015</u>	<u>92,461</u>	<u>4,554</u>
Total	\$ <u>144,741</u>	\$ <u>126,466</u>	\$ <u>18,275</u>

VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 3 - BUDGETARY ACTIVITY:- (continued)

Budgetary activity for the year ending December 31, 2004 was as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 26,004	\$ 32,593	\$ 6,589
Special Revenue	14,485	10,218	(4,267)
Capital Projects	8,050	0	(8,050)
Proprietary	<u>82,970</u>	<u>88,573</u>	<u>5,603</u>
Total	\$ <u>131,509</u>	\$ <u>131,384</u>	\$ (<u>125</u>)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 37,550	\$ 43,985	\$ (6,435)
Special Revenue	19,029	11,515	7,514
Capital Projects	14,159	0	14,159
Proprietary	<u>87,608</u>	<u>84,282</u>	<u>3,326</u>
Total	\$ <u>158,346</u>	\$ <u>139,782</u>	\$ <u>18,564</u>

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority as of December 31, 2004 by \$6,435 in the General Fund.

Contrary to Ohio law, actual receipts were less than budgeted receipts as of December 31, 2004 by \$4,267 in the Special Revenue Fund and \$8,050 in the Capital Projects Fund

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 4 - PROPERTY TAX:-

Real property taxes become a lien on January 1, preceding the October 1 date for which rates are adopted by the Village Council. The State Council 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.

NOTE 5 - DEBT:-

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA- RURAL DEVELOPMENT	\$ <u>671,000</u>	4.50%

The Village entered into a loan agreement with the USDA Rural Development Authority for the construction of a Wastewater Treatment Lift Station. The original amount of the loan was \$677,000. The loans will be repaid in annual installments, including principal and interest over 40 years and has an interest rate of 4.50%. Interest payments began in 2003 and principal payments on the outstanding balance began in 2005 and the final installment will be due in 2042. As of December 31, 2005, the total outstanding balance was \$671,000.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending December 31,</u>	<u>USDA</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 7,000	\$ 30,195	\$ 37,195
2007	7,000	29,880	36,880
2008	7,000	29,565	36,565
2009	8,000	29,250	37,250
2010	8,000	28,890	36,890
2011-2015	49,000	138,465	187,465
2016-2020	62,000	126,360	188,360
2021 & thereafter	<u>523,000</u>	<u>312,480</u>	<u>835,480</u>
	<u>\$ 671,000</u>	<u>\$ 725,085</u>	<u>\$ 1,396,085</u>

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

NOTE 6 - 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.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, participants contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005

NOTE 7 - RISK MANAGEMENT:-

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, POP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreement do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are obligation of the respective Government.



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Village Council
Village of Fulton
Morrow County

We have audited the accompanying financial statements of the Village of Fulton, Morrow County, Ohio (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated January 28, 2008, wherein we noted the Village followed accounting practices the Auditor of State of Ohio prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to the management of the Village in a separate letter dated January 28, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-001, 2005-002, 2005-003, and 2005-004. In a separate letter to the Village's management dated January 28, 2008, we reported other matters related to noncompliance we deemed immaterial.

We intended this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

Shuller & Manton

Certified Public Accountants

January 28, 2008

**VILLAGE OF FULTON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2005-001
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Prior Certification of Funds

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During our testing we noted several instances, before August 2004, where the purchase orders were not approved by the clerk stating that the monies were available. This could result in encumbrances and expenditures in excess of appropriations, contrary to the O.R.C. We recommend that the Village Clerk certify that sufficient funds are available prior to ordering goods and services and to properly maintain these documents. We also recommend that Village council reviews all purchases at council meetings.

Officials' Response

After August 2004, the Village implemented a new procedure for purchase orders that include the clerks signature and are completed prior to any monies being expended.

Finding Number	2005-002
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Expenditures Exceed Appropriations

Ohio Revised Code, Section 5705.41 (C), requires that no subdivision or taxing unit is to expend money unless it has been appropriated. In addition, Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Clerk that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

During compliance testing, it was noted that the budgetary expenditures exceeded appropriations throughout the year for certain line items. This condition limits the effectiveness of the Village compliance and budgetary controls and may result in overspending of the available funds. To prevent this from occurring, we recommend the Clerk deny payment requests or purchase orders exceeding appropriations until the Village Council approves an increase to appropriations through a resolution and the Clerk then prepares an amendment to the original appropriation of expenditures.

Officials' Response

The Village is implementing procedures to determine when it is necessary to amend the appropriations and submit them to the County for approval to prevent the actual expenditures to exceed those that were appropriated.

**VILLAGE OF FULTON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	2005-003
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Amending Certificates of Estimated Resources

Ohio Revised Code, Section 5705.36, allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the Clerk that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

During our compliance testing, we noted that the Village did not amend estimated resources as outlined above. We recommend that the Clerk monitor estimated resources throughout the year and obtain amendments from the county budget commission as necessary.

Officials' Response

The Village is implementing procedures to determine when it is necessary to amend the estimated resources and submit them to the County for approval to prevent the actual resources from being less than what was estimated.

**VILLAGE OF FULTON
MORROW COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	2005-004
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Fund Deficit

Ohio Rev. Code Section 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. Auditor of State Bulletin 97-003 states that inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans and to provide the necessary "seed" for grants that are allocated on a reimbursement basis. The intent for cash advances is to require repayment within the current or succeeding year. Inter-fund cash advances are subject to the following requirements:

- 1) Any advance must be clearly labeled as such, and must be distinguished from a transfer. Transfers are intended to reallocate money permanently from one fund to another and may be made only as authorized in Sections 5705.14 to 5705.16 of the Revised Code. Advances, on the other hand, temporarily reallocate cash from one fund to another and involve an expectation of repayment;
- 2) In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;
- 3) The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- 4) Advances must be approved by a formal resolution of the taxing authority of the subdivision which must include:
 - a. A specific statement that the transaction is an advance of cash, and
 - b. An indication of the money (fund) from which it is expected that repayment will be made.

The following funds were noted to have negative fund balances at December 31, 2006:

<u>Date</u>	<u>Fund</u>	<u>Amount</u>
December 31, 2004	General Fund	(\$5,347)

Officials' Response

The Village council will better monitor fund balances to ensure that money from one fund is not used to cover the expenses of another fund. The Village may also use cash advances to cover negative fund balances for temporary cash flow problems.

**VILLAGE OF FULTON
MORROW COUNTY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	ORC 5705.41 (D) - Failure to properly obtain fiscal certificates	No	Reissued as a Finding in the current audit report as Finding #2005-001.
2003-002	ORC 5705.41(B)- Expenditures exceed appropriations.	No	Reissued as a Finding in the current audit report as Finding #2005-002.
2003-003	ORC 5705.39- Appropriations limited by estimated resources.	Yes	Fully Corrected.
2003-004	ORC 5705.14 - Transfers of Funds.	No	Reissued as a non compliance citation in the Management Letter.
2003-005	Recording of Expenditures and receipts.	Yes	Fully Corrected.



Mary Taylor, CPA
Auditor of State

VILLAGE OF FULTON

MORROW 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
MAY 1, 2008**