



Dave Yost • Auditor of State

VILLAGE OF FULTONHAM
MUSKINGUM COUNTY

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Dave Yost • Auditor of State

Village of Fultonham
Muskingum County
P.O. Box 285
Fultonham, Ohio 43738

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

October 14, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Fultonham
Muskingum County
P.O. Box 285
Fultonham, Ohio 43738

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, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Village's larger (i.e., major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State 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, 2010 and 2009 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, 2010 and 2009, 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 of the Village of Fultonham, Muskingum County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 October 14, 2011, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

October 14, 2011

**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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$2,528		\$2,528
Intergovernmental	10,321	\$4,694	15,015
Earnings on Investments	51		51
Miscellaneous	16		16
Total Cash Receipts	<u>12,916</u>	<u>4,694</u>	<u>17,610</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,812		1,812
Basic Utility Service	3,397		3,397
Transportation	1,500	4,514	6,014
General Government	11,750		11,750
Total Cash Disbursements	<u>18,459</u>	<u>4,514</u>	<u>22,973</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(5,543)</u>	<u>180</u>	<u>(5,363)</u>
Fund Cash Balances, January 1	<u>43,679</u>	<u>13,753</u>	<u>57,432</u>
Fund Cash Balances, December 31	<u>\$38,136</u>	<u>\$13,933</u>	<u>\$52,069</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, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$2,112		\$2,112
Intergovernmental	10,283	\$4,748	15,031
Earnings on Investments	70	1	71
Miscellaneous	86	75	161
	<u>12,551</u>	<u>4,824</u>	<u>17,375</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,712		3,712
Basic Utility Service	1,393		1,393
Transportation	2,710	4,782	7,492
General Government	14,172		14,172
	<u>21,987</u>	<u>4,782</u>	<u>26,769</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,436)</u>	<u>42</u>	<u>(9,394)</u>
Fund Cash Balances, January 1	<u>53,115</u>	<u>13,711</u>	<u>66,826</u>
Fund Cash Balances, December 31	<u>\$43,679</u>	<u>\$13,753</u>	<u>\$57,432</u>

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, 2010 AND 2009**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fultonham, Muskingum County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street lighting and street maintenance.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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, 2010 AND 2009
(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 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. 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 approve estimated resources.

3. Encumbrances

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

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Deposits

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

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$52,069</u>	<u>\$57,432</u>

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

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$12,328	\$12,916	\$588
Special Revenue	3,860	4,694	834
Total	\$16,188	\$17,610	\$1,422

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$26,300	\$18,459	\$7,841
Special Revenue	11,560	4,514	7,046
Total	\$37,860	\$22,973	\$14,887

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,090	\$12,551	(\$539)
Special Revenue	0	4,824	4,824
Total	\$13,090	\$17,375	\$4,285

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,249	\$21,987	\$45,262
Special Revenue	15,140	4,782	10,358
Total	\$82,389	\$26,769	\$55,620

Contrary to Ohio Rev. Code Section 5705.36(A)(4), the Village had actual resources in excess of appropriations for the fiscal year ending December 31, 2009 in the General Fund of \$1,584, and the Village did not obtain a reduced amended certificate. Contrary to Ohio Rev. Code Section 5705.39, the Village had appropriations in excess of estimated resources in the General and Street Construction Maintenance and Repair Funds of \$1,044 and \$1,429, respectively, for the year ending December 31, 2009.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. Property Tax

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

Public utilities are also taxed on personal and real property located within the Village.

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.

5. Retirement System

Part-time employees and certain Council members belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

6. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial Property;
- Business personal property;
- Buildings; and
- Officials' bonds.

The Village is uninsured for the following risks:

- General Liability; and
- Errors and omissions.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Fultonham
Muskingum County
P.O. Box 285
Fultonham, Ohio 43738

To the 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, 2010 and 2009, and have issued our report thereon dated October 14, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. 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 as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider findings 2010-02 and 2010-05 to be significant deficiencies. 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.

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 or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2010-01, 2010-03, 2010-04 and 2010-06.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 14, 2011.

We intend this report solely for the information and use of management, the Village Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

October 14, 2011

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-01

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificates - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

2. Blanket Certificates - Fiscal officers may prepare so-called "blanket" certificates not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. Super Blanket Certificates - The Board may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to incurring a purchase commitment for 82 percent of the expenditures we tested in 2009 and 100 percent of the expenditures we tested in 2010, and there was no evidence that the Village Fiscal Officer followed the aforementioned exceptions.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-01 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Board's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Board. When prior certification is not possible, "then and now" certification should be used.

We recommend the Board obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Board incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2010-02

Significant Deficiency

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

Amounts from the January 20, 2010 Amended Certificate of Estimated Resources were not posted to the accounting system as of December 31, 2010.

For the fiscal year ending December 31, 2009, we noted differences between the accounting system and the January 28, 2009 Amended Certificate as follow:

<u>Fund</u>	<u>January 28, 2009 Amended Certificate</u>	<u>UAN Accounting System</u>	<u>Variance</u>
General Fund	\$13,090	\$14,299	(\$1,209)
Street Fund	-	3,740	(3,740)

As of December 31, 2009, we noted differences between the accounting system and the annual appropriation resolution:

<u>Fund</u>	<u>Appropriation Resolution 2009-01</u>	<u>UAN Accounting System</u>	<u>Variance</u>
General Fund	\$66,205	\$65,760	\$445
Street Fund	13,711	16,140	(2,429)

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2010-02 (Continued)

Significant Deficiency (Continued)

Because the information entered into the accounting system was inaccurate, Village management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present appropriations approved by Village Council and include budgeted receipts as certified by the County Auditor.

We recommend the Fiscal Officer record only estimated receipts per the Official and Amended Certificates of Estimated Resources and appropriations approved by the Village Council. The Fiscal Officer should periodically present budget vs. actual results to Village Council. As part of their monitoring responsibilities, Village Council should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend estimated revenue or appropriations.

FINDING NUMBER 2010-03

Noncompliance Citation

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Appropriations were greater than actual resources for the fiscal year ending December 31, 2009, in the following fund:

<u>Fund</u>	<u>Actual Resources</u>	<u>Appropriation Authority</u>	<u>Variance</u>
General Fund	\$65,665	\$67,249	(\$1,584)

This could result in deficit spending by the Village.

We recommend the Village monitor estimated and actual revenues for all funds on a regular basis. In the situation where appropriations exceed actual resources, the Village should adjust appropriations accordingly.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-04

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources.

Appropriations exceeded estimated resources for the fiscal year ending December 31, 2009, in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriation Authority</u>	<u>Variance</u>
General	\$66,205	\$67,249	(\$1,044)
Street Construction, Maintenance and Repair	13,711	15,140	(1,429)

Failure to limit appropriations to the amount of estimated resources could result in deficit spending by the Village.

We recommend the Fiscal Officer monitor its estimated revenue and appropriations to ensure that appropriations are within estimated resources.

FINDING NUMBER 2010-05

Significant Deficiency

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

In 2010, the following mispostings were made by the Fiscal Officer:

- Several property tax settlements totaling \$960 were posted to miscellaneous receipts instead of property taxes in the General Fund.
- Homestead and rollback receipts amounting to \$412 were posted to property tax receipts instead of intergovernmental receipts in the General Fund.
- Unauthorized outstanding encumbrances of \$1,978 were recorded as Reserve for Encumbrances in the General Fund and \$126 in the Street Fund (Special Revenue Fund).

In 2009, the following mispostings were made by the Fiscal Officer:

- The February Local Government receipts of \$1,065 were recorded as property taxes instead of intergovernmental receipts in the General Fund.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-05 (Continued)

Significant Deficiency (Continued)

- Homestead and rollback receipts amounting to \$439 were posted to property tax receipts instead of intergovernmental receipts in the General Fund.

These posting errors resulted in adjustments and reclassifications being made to the financial statements to ensure accurate presentation.

In addition, the following insignificant mispostings were proposed but were not made to the financial statements.

- Taxes in the amount of \$211 were posted at gross instead of net to the General Fund in 2010. The gross taxes should have been posted to the tax receipt account with the related deductions posted as general government disbursements.
- There was \$417 in 2010 unrecorded encumbrances that should have been included on the financial statements as Reserve for Encumbrances in the General Fund.
- There was \$369 in 2009 unrecorded encumbrances that should have been included on the financial statements as Reserve for Encumbrances in the General Fund.

We recommend the Fiscal Officer review guidance within the Village Officers' Handbook to ensure proper postings and classifications are being made.

FINDING NUMBER 2010-06

Noncompliance Citation

26 U.S.C. Section 3402 requires every employer to deduct and withhold Federal income taxes from employees' compensation and transmit these withholdings to the Internal Revenue Service.

For the fiscal year ending December 31, 2010, there was no evidence that withholdings and taxes totaling \$2,288 were remitted to the Internal Revenue Service. In addition, for the fiscal year ending December 31, 2009, the Village did not remit the appropriate amount of withholdings and taxes to the Internal Revenue Service. This resulted in an underpayment of \$1,212 for the fiscal year ending December 31, 2009. Additionally, for the fiscal year ending December 31, 2009, the Village was penalized \$9 and interest of \$4 after being 64 days late on their remittances to the Internal Revenue Service.

We recommend the Village take the necessary action to repay amounts to the IRS in a prompt manner. We also recommend the Village take the necessary action to correct the discrepancy in the timing and remittance of federal taxes. The Village should ensure that transmittal of income taxes is made by the 15th of the following month. In addition, the Village should ensure that IRS Form 941 is completed and filed promptly at the end of each quarter to avoid possible late penalties and interest.

Officials' Response: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Contrary to ORC 5705.41(D), the Village did not properly encumber 50% of expenditures tested in 2007 and 2008.	No	Not Corrected. Repeated in current year audit as finding number 2010-01.
2008-002	During 2007, the Village received the benefit of a CDBG project administered by Muskingum County that was disbursed directly from the County to the applicable contractors. The cash value of the benefit under this program was not recorded by the Village.	Yes	Finding No Longer Valid. The Village did not participate in any such projects during the audit period.



Dave Yost • Auditor of State

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
NOVEMBER 10, 2011