



**Auditor of State  
Betty Montgomery**



VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	19
Corrective Action Plan.....	20

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**Auditor of State  
Betty Montgomery**

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

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 a February 2, 2005 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 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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**Betty Montgomery**  
Auditor of State

February 15, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Village of Fultonham  
Muskingum County  
1234 Lindbergh Avenue  
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, 2004 and 2003. 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. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 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 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 statement referred to above for the year ended December 31, 2004 does 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, 2004, or its changes in financial position for the year 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 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 February 15, 2006, 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.



**Betty Montgomery**  
Auditor of State

February 15, 2006

**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, 2004**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$2,111	\$	\$2,111
Intergovernmental Receipts	11,780	3,134	14,914
Earnings on Investments	141	142	283
	<u>14,032</u>	<u>3,276</u>	<u>17,308</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,521		1,521
Basic Utility Services	215		215
General Government	5,762	2,459	8,221
	<u>7,498</u>	<u>2,459</u>	<u>9,957</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>6,534</u>	<u>817</u>	<u>7,351</u>
Fund Cash Balances, January 1	<u>71,176</u>	<u>17,845</u>	<u>89,021</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$77,710</u></b>	<b><u>\$18,662</u></b>	<b><u>\$96,372</u></b>

*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, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$1,808	\$	\$1,808
Intergovernmental Receipts	11,698	3,642	15,340
Earnings on Investments	144	135	279
Miscellaneous	52		52
	<u>13,702</u>	<u>3,777</u>	<u>17,479</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,513		1,513
Basic Utility Services	226	1,280	1,506
Transportation	913		913
General Government	9,639		9,639
	<u>12,291</u>	<u>1,280</u>	<u>13,571</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>1,411</u>	<u>2,497</u>	<u>3,908</u>
Fund Cash Balances, January 1	<u>69,765</u>	<u>15,348</u>	<u>85,113</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$71,176</u></b>	<b><u>\$17,845</u></b>	<b><u>\$89,021</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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Fultonham, Muskingum County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges 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, purchased 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 and 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, 2004 AND 2003  
(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 and object level of control and appropriations may not exceed estimated resources. Village 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 at the beginning of the next year. The Village did not properly encumber commitments as required by Ohio Law.

A summary of 2004 and 2003 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 CASH AND INVESTMENTS**

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

	<u>2004</u>	<u>2003</u>
Total Deposits	\$96,372	\$89,021

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

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,949	\$14,032	\$83
Special Revenue	2,500	3,276	776
Total	\$16,449	\$17,308	\$859

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,125	\$7,498	\$77,627
Special Revenue	20,344	2,459	17,885
Total	\$105,469	\$9,957	\$95,512

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,229	\$13,702	(\$527)
Special Revenue	2,000	3,777	1,777
Total	\$16,229	\$17,479	\$1,250

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,865	\$12,291	\$72,574
Special Revenue	17,347	1,280	16,067
Total	\$102,212	\$13,571	\$88,641

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. RETIREMENT SYSTEMS**

Full-time employees 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 retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

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

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

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, 2004 and 2003, and have issued our report thereon dated February 15, 2006, 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 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 in order 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 would not necessarily disclose all matters in the internal control over financial reporting 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**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 2004-001 through 2004-004. In a separate letter to the Village's management dated February 15, 2006, we reported other matters related to noncompliance we deemed immaterial.

Village of Fultonham  
Muskingum County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

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**Betty Montgomery**  
Auditor of State

February 15, 2006

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Finding for Recovery**

Ohio Rev. Code Section 731.13 prohibits the compensation of any village officer from increasing or diminishing during the term for which the officer is elected or appointed.

Village of Fultonham Ordinance No. 1996-3, adopted September 9, 1996, set the annual compensation for the mayor at \$700. Janet L. Paxson served as Mayor from January 1, 2000 through December 31, 2003. Mrs. Paxson was appropriately compensated \$700 per year for her annual salary as Mayor during the four-year term ending December 31, 2003.

During the November 3, 2003 Council meeting, a motion was made and approved to pay \$100 per month to Janet L. Paxson, Village Mayor, retroactive from the present time to July 1, 2002 for her work on the Disaster Service / Emergency Management Program.

According to the earnings statement presented for audit, Janet L. Paxson earned \$1,800 from July 1, 2002 to December 31, 2003 and was paid \$1,800, less payroll deductions, on December 2, 2003. The payroll documentation indicated the pay was for working 18 months @ \$100 per month on the Disaster Service/Emergency Management Program.

Janet L. Paxson also served as Mayor for part of the four-year term commencing on January 1, 2004, serving from January 1, 2004 through May 3, 2004. Village of Fultonham Ordinance No. 2002-2, adopted November 12, 2002, increased the annual compensation for the Mayor to \$800, set to take effect at the beginning of the next term of office. Although Mrs. Paxson declined her pay as Mayor for the period January 1, 2004 through May 3, 2004, she would have been entitled to \$273.13 compensation, calculated as follows:

- Annual compensation \$800 per year, or \$66.67 per month
- 4 months @ \$66.67 per month (\$266.68) plus 3/31 @ \$66.67 (\$6.45, representing 3 days served/31 days in May) = \$273.13

After Janet L. Paxson's resignation as Mayor, she was appointed as Village Council President to serve the unexpired term from May 4, 2004 through December 31, 2005. Although Ms. Paxson declined her pay as Village Council President, she would have been entitled to \$230.54 compensation, calculated as follows:

- Annual compensation \$350 per year, or \$29.17 per month
- 7 months @ \$29.17 per month (\$204.19) plus 28/31 @ \$29.17 (\$26.35, representing 28 days served/31 days in May) = \$230.54

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**FINDING NUMBER 2004-001 (Continued)**

**Finding for Recovery (Continued)**

Janet L. Paxson's total declined pay during 2004 was \$503.67 (\$273.13 plus \$230.54) and her net overcompensation is calculated as follows:

<b>Calendar Year</b>	<b>Compensation Paid</b>	<b>Compensation Authorized</b>	<b>Net (Over)/Under-Compensation</b>
2002	\$1,300.00	\$700.00	(\$600.00)
2003	\$1,900.00	\$700.00	(\$1,200.00)
2004	\$ 0.00	\$503.67	\$503.67
<b>Totals</b>	<b>\$3,200.00</b>	<b>\$1,903.67</b>	<b>(\$1,296.33)</b>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Janet L. Paxson, Village Council President, and her surety, The Ohio Casualty Insurance Company, jointly and severally, in the amount of \$1,296.33, and in favor of the Village of Fultonham's General Fund.

**FINDING NUMBER 2004-002**

**Finding for Recovery**

Ohio Rev. Code Section 731.13 prohibits the compensation of any village officer from increasing or diminishing during the term for which the officer is elected or appointed.

Village of Fultonham, Ordinance No. 1996-3, adopted September 9, 1996, set the annual compensation for council members, the president of council, the mayor and the clerk at \$200, \$250, \$700 and \$700, respectively. Peggy Milatovich was elected as Village Council President for a four-year term beginning January 1, 2002 and ending December 31, 2005. Ms. Milatovich was appropriately compensated as President during 2002 and 2003 at \$250 per year.

During the November 3, 2003 Council meeting, a motion was made and approved to pay \$100 per month to Peggy Milatovich, Village Council President, retroactive from the present time to July 1, 2002 for her work on the Disaster Service / Emergency Management Program.

According to the earnings statement presented for audit, Peggy Milatovich earned \$1,800 from July 1, 2002 to December 31, 2003 and was paid \$1,800, less payroll deductions, on December 2, 2003. The payroll documentation indicated the pay was for working 18 months @ \$100 per month on the Disaster Service/Emergency Management Program.

During 2004, Peggy Milatovich served as Village Council President until she was appointed Mayor on May 4, 2004. Ms. Milatovich served as Village Council President from January 1, 2004 through May 3, 2004 and her authorized pay is determined as follows:

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

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

**FINDING NUMBER 2004-002 (Continued)**

**Finding for Recovery (Continued)**

- \$250 per year / 12 months per year = \$20.83 per month
- \$20.83 per month X 4 full months worked = \$83.32
- \$20.83 per month X 3 days worked / 31 days in May = \$2.02
- Total pay authorized (\$83.32 + \$2.02) = \$85.34
- Total pay received = \$0.00
- Amount undercompensated as President of Village Council = \$85.34

On May 4, 2004, Peggy Milatovich was appointed to fill the unexpired Village Mayor's term that commenced on January 1, 2004. According to the resolution adopted November 12, 2002, the authorized annual salary for Village Mayor was \$800. Peggy Milatovich served as Mayor from May 4, 2004 through December 31, 2004 and her authorized pay is determined as follows:

- \$800 per year / 12 months per year = \$66.67 per month
- \$66.67 per month X 7 full months worked = \$466.69
- \$66.67 per month X 28 days worked / 31 days in May = \$60.22
- Total pay authorized (\$466.69 + \$60.22) = \$526.91
- Total pay received = \$800.00
- Amount overcompensated as Village Mayor = \$273.09

During the October 4, 2004 Council meeting, a motion was made and approved to pay Peggy Milatovich \$200 per month for her work on the Disaster Service / Emergency Management Program. According to the earnings statements presented for audit, Peggy Milatovich earned \$400 during the period from January 1, 2004 to December 31, 2004 and was paid \$400, less payroll deductions, on December 14, 2004. The payroll documentation indicated the pay was for special work on disaster / et al.

The net amount of overcompensation for Peggy Milatovich would be calculated as follows:

Calendar Year	Compensation Paid	Compensation Authorized	Net (Over)/Under- Compensation
2002	\$ 850.00	\$250.00	(\$600.00)
2003	\$1,450.00	\$250.00	(\$1,200.00)
2004	\$1,200.00	\$612.25	(\$587.75)
Totals	\$3,500.00	\$1,112.25	(\$2,387.75)

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Peggy Milatovich, former Village Mayor and former Village Council President, in the amount of \$2,387.75, and in favor of the Village of Fultonham's General Fund.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2004-003**

**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 § 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 taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) 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 Village.
2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificate 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. Effective September 26, 2003, certificates may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend beyond the end of the fiscal year. Blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.
3. **Super Blanket Certificate** – The Village 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 extend 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 12% of the expenditures we tested during 2004, and there was no evidence that the fiscal officer followed the aforementioned exceptions.

VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)

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

FINDING NUMBER 2004-003 (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 Village's funds exceeding budgetary spending limitations, we recommend the fiscal officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Village fiscal officer should sign the certification at the time the Village 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 2004-004

**Noncompliance Citation**

Ohio Rev. Code Section 733.25 provides that when the mayor is absent from the village, or is unable for any cause to perform his duties, the president pro tempore of the legislative authority shall be acting mayor. In case of the death, resignation, or removal of the mayor, such president pro tempore shall become the mayor and shall hold the office until his successor is elected and qualified. Such successor shall be elected to the office for the unexpired term, at the first regular municipal election that occurs more than forty days after the vacancy has occurred; except that when the unexpired term ends within one year immediately following the date of such election, an election to fill such unexpired term shall not be held and the president of the legislative authority of the city shall hold the office for such unexpired term.

Section 731.43(A)(2) states that when a vacancy occurs in the office of a member of the legislative authority of a village with a population of less than two thousand at the time the president pro tempore becomes mayor, the president pro tempore shall decide whether she wishes to serve the remainder of her unexpired term as a member of the legislative authority of the village when the mayor's successor is elected and qualified in accordance with that section. If the president pro tempore decides not to resume serving the remainder of her unexpired term as a member of the legislative authority as soon as the mayor's successor is elected and qualified, then the vacancy in the office of member of the legislative authority shall be filled in accordance with this section. Thus, council would have thirty days from the date of the resignation to fill the vacancy by election by the legislative authority for the unexpired term. If the legislative authority fails within thirty days to fill such vacancy, the mayor shall fill it by appointment except that when the vacancy occurs because of the operation of section 733.25 of the Revised Code, the successor shall hold office only for the period the president pro tempore of the legislative authority holds the office of mayor.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2004-004 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 733.25 (Continued)**

For the Mayor's term commencing on January 1, 2004, there were no candidates on the ballot and Janet L. Paxson was appointed Mayor by Village Council for a new four-year term. However, the president pro tempore should have become Mayor. The proper procedure was followed however, when Ms. Paxson resigned as Mayor on May 3, 2004 and the President Pro Tempore, Peggy Milatovich, acted as Mayor.

We recommend that all vacancies in Village offices be filled as prescribed by the Ohio Revised Code. Should questions arise as to the proper procedures to be followed when a vacancy occurs, Village officials should consult the Village's legal counsel.

VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Failure to obtain the fiscal officer's certification prior to incurring obligations.	No	Repeated as finding number 2004-003.
2002-002	Appropriations approved by Council did not agree to those posted to the accounting system.	Yes	

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**CORRECTIVE ACTION PLAN  
DECEMBER 31, 2004**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2004-003	The fiscal officer intends to implement procedures to properly certify the availability of funds prior to purchase commitments.	Effective for fiscal year ending December 31, 2005	Betty Combs, fiscal officer
2004-004	Village officials intend to obtain guidance when vacancies exist in office.	Effective for fiscal year ending December 31, 2005	Betty Combs, fiscal officer



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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  
MARCH 21, 2006**