

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

***FINANCIAL STATEMENTS***  
**(AUDITED)**

FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008

**KAREN MAY, FISCAL OFFICER**





# Mary Taylor, CPA

Auditor of State

Members of Village Council  
Village of Fulton  
P.O. Box 5  
Fulton, Ohio 43321

We have reviewed the *Independent Auditor's Report* of the Village of Fulton, Morrow County, prepared by Julian & Grube, Inc., for the audit period January 1, 2008 through December 31, 2009. 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 Auditor's 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 Auditor's 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

August 23, 2010

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**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report.....	1 - 2
Combined Statement of Cash Fund Balances - All Fund Types For the Years Ended December 31, 2009 and 2008 .....	3
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2009.....	4
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances - Proprietary Fund Type For the Year Ended December 31, 2009.....	5
Combined Statement of Cash Receipts, Cash Disbursements and Encumbrances Compared With Expenditure Authority - Budget and Actual - For The Year Ended December 31, 2009 .....	6
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2008.....	7
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Cash Fund Balances - Proprietary Fund Type For the Year Ended December 31, 2008.....	8
Combined Statement of Cash Receipts, Cash Disbursements and Encumbrances Compared With Expenditure Authority - Budget and Actual - For the Year Ended December 31, 2008.....	9
Notes to the Financial Statements.....	10 - 19
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	20 - 21
Status of Prior Audit Findings .....	22



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### Independent Auditor's Report

Village of Fulton  
P.O. Box 5  
Fulton, Ohio 43321

We have audited the accompanying financial statements of the Village of Fulton, Morrow County, Ohio, as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village of Fulton'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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Village of Fulton 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 for December 31, 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for December 31, 2009 and 2008. While the Village of Fulton 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 of Fulton has elected not to reformat its statements. Since the Village of Fulton 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 statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village of Fulton, Morrow County, Ohio, as of December 31, 2009 and 2008, or its changes in financial position or cash flows where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances and reserves for encumbrances of the Village of Fulton, Morrow County, Ohio, as of December 31, 2009 and 2008 and its combined cash receipts and cash disbursements and combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the accounting basis Note 2 describes.

The Village of Fulton 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 June 29, 2010 on our consideration of the Village of Fulton'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.



Julian & Grube, Inc.  
June 29, 2010

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2009 AND 2008

<u>Cash and Cash Equivalents</u>	2009	2008
Cash and Cash Equivalents	\$ 291,419	\$ 249,706
Total Cash and Cash Equivalents	\$ 291,419	\$ 249,706
 <u>Cash Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General	\$ 9,950	\$ 4,780
Special Revenue	73,230	61,843
Total Governmental Funds	83,180	66,623
 <u>Proprietary Fund Type:</u>		
Enterprise	208,239	183,083
Total Fund Balances	\$ 291,419	\$ 249,706

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 8,139	\$ -	\$ 8,139
Intergovernmental	14,579	12,444	27,023
Charges for services	75	-	75
Fines, licenses, and permits	1,239	-	1,239
Interest	7	170	177
Miscellaneous	3,072	-	3,072
Total cash receipts	<u>27,111</u>	<u>12,614</u>	<u>39,725</u>
Cash disbursements:			
Current:			
Security of persons and property	3,677	-	3,677
Public health services	62	-	62
Transportation	-	864	864
General government	18,202	363	18,565
Total cash disbursements	<u>21,941</u>	<u>1,227</u>	<u>23,168</u>
Total cash receipts over cash disbursements	5,170	11,387	16,557
Cash fund balances, January 1, 2009	<u>4,780</u>	<u>61,843</u>	<u>66,623</u>
Cash fund balances, December 31, 2009	<u>\$ 9,950</u>	<u>\$ 73,230</u>	<u>\$ 83,180</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 110,262
Total operating cash receipts	110,262
Operating cash disbursements:	
Personal services	2,555
Employee fringe benefits	466
Contractual services	54,918
Supplies and material	4,846
Total operating cash disbursements	62,785
Operating income	47,477
Nonoperating cash receipts/(disbursements):	
Property and other local taxes	10,551
Interest	1,648
Intergovernmental receipts	2,431
Debt service:	
Principal	(8,000)
Interest	(28,951)
Total nonoperating cash receipts/(disbursements)	(22,321)
Net cash receipts over cash disbursements	25,156
Cash fund balances, January 1, 2009	183,083
Cash fund balances, December 31, 2009	\$ 208,239

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2009

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2009 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2009 Appropriations	Total	Actual 2009 Disbursements	Encumbrances Outstanding at 12/31/09	Total	Variance Favorable (Unfavorable)
<b>Governmental:</b>												
General	\$ 4,780	\$ 24,948	\$ 29,728	\$ 27,111	\$ 2,163	\$ 1,075	\$ 26,151	\$ 27,226	\$ 21,941	\$ -	\$ 21,941	\$ 5,285
Special Revenue	61,843	10,820	72,663	12,614	1,794	-	10,850	10,850	1,227	-	1,227	9,623
<b>Proprietary:</b>												
Enterprise	183,083	113,002	296,085	124,892	11,890	1,562	125,635	127,197	99,736	7,900	107,636	19,561
Total												
(Memorandum Only)	<u>\$ 249,706</u>	<u>\$ 148,770</u>	<u>\$ 398,476</u>	<u>\$ 164,617</u>	<u>\$ 15,847</u>	<u>\$ 2,637</u>	<u>\$ 162,636</u>	<u>\$ 165,273</u>	<u>\$ 122,904</u>	<u>\$ 7,900</u>	<u>\$ 130,804</u>	<u>\$ 34,469</u>

9

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 8,346	\$ -	\$ 8,346
Intergovernmental	16,616	12,709	29,325
Charges for services	4,814	-	4,814
Fines, licenses, and permits	1,833	-	1,833
Interest	22	1,138	1,160
Miscellaneous	1,088	-	1,088
Total cash receipts	<u>32,719</u>	<u>13,847</u>	<u>46,566</u>
Cash disbursements:			
Current:			
Security of persons and property	3,401	-	3,401
Public health services	120	-	120
Transportation	-	663	663
General government	23,544	3,802	27,346
Total cash disbursements	<u>27,065</u>	<u>4,465</u>	<u>31,530</u>
Total cash receipts over cash disbursements	5,654	9,382	15,036
Cash fund balances, January 1, 2008	<u>(874)</u>	<u>52,461</u>	<u>51,587</u>
Cash fund balances, December 31, 2008	<u>\$ 4,780</u>	<u>\$ 61,843</u>	<u>\$ 66,623</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 123,889
Total operating cash receipts	123,889
Operating cash disbursements:	
Personal services	2,294
Employee fringe benefits	412
Contractual services	68,376
Supplies and material	422
Total operating cash disbursements	71,504
Operating income	52,385
Nonoperating cash receipts/(disbursements):	
Property and other local taxes	10,942
Interest	4,735
Intergovernmental receipts	1,946
Debt service:	
Principal	(14,646)
Interest	(29,388)
Total nonoperating cash receipts/(disbursements)	(26,411)
Net cash receipts over cash disbursements	25,974
Cash fund balances, January 1, 2008	157,109
Cash fund balances, December 31, 2008	\$ 183,083

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2008

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2008 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2008 Appropriations	Total	Actual 2008 Disbursements	Encumbrances Outstanding at 12/31/08	Total	Variance Favorable (Unfavorable)
<b>Governmental:</b>												
General	\$ (874)	\$ 32,720	\$ 31,846	\$ 32,719	\$ (1)	\$ -	\$ 32,131	\$ 32,131	\$ 27,065	\$ 1,075	\$ 28,140	\$ 3,991
Special Revenue	52,461	13,846	66,307	13,847	1	-	19,085	19,085	4,465	-	4,465	14,620
<b>Proprietary:</b>												
Enterprise	157,109	141,513	298,622	141,512	(1)	-	150,722	150,722	115,538	1,562	117,100	33,622
Total												
(Memorandum Only)	<u>\$ 208,696</u>	<u>\$ 188,079</u>	<u>\$ 396,775</u>	<u>\$ 188,078</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 201,938</u>	<u>\$ 201,938</u>	<u>\$ 147,068</u>	<u>\$ 2,637</u>	<u>\$ 149,705</u>	<u>\$ 52,233</u>

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Village of Fulton, Morrow County, Ohio (the "Village"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: street maintenance and repair, sewer utility services, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials are financially accountable.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Village's accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

**GOVERNMENTAL FUNDS**

**General Fund**

The general fund is used to account for all activities of the Village not required to be included in another fund and the mayor's court. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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.

PROPRIETARY FUND TYPE

Enterprise Funds

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

**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.



**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determined that receipts collected will be greater than or less than the prior estimate, and the Budget Commission finds the revised estimate to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

*Encumbrances:*

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Village had outstanding encumbrances at December 31, 2009 and 2008.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village for the years ended December 31, 2009 and 2008 totaled \$1,825 and \$5,895, respectively.

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are recorded as expenditures in the fund in the year expended. The costs of normal maintenance and repairs, along with improvements, are also expended. Depreciation is not recorded by the Village.

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Village's cash basis method of accounting.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

The Village maintains a cash and investment 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:

	<u>2009</u>	<u>2008</u>
Deposits:		
Demand Deposits	\$ 135,360	\$ 95,761
Certificate of Deposit	53,073	51,243
Investments:		
STAR Ohio	<u>102,986</u>	<u>102,702</u>
 Total Cash and Investments	 <u>\$ 291,419</u>	 <u>\$ 249,706</u>

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

*Investments:* Investments in STAR Ohio are not endorsed by securities that exist in physical or book-entry form. Investments in STAR Ohio are valued at amounts reported by the State Treasurer.

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**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 County. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Real property taxes are payable annually or semiannually to the County. Under certain circumstances, State Statute permits later payment dates to be established.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, was 6.25% for 2008. This percentage was zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the Village due to the phasing out of the tax. In calendar years 2008-2010, the Village will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 5 - DEBT OBLIGATIONS**

At December 31, 2009 and 2008, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance</u> <u>12/31/09</u>	<u>Balance</u> <u>12/31/08</u>
<u>Proprietary Fund Type:</u>		
USDA Rural Development Sewer Project, note for wastewater treatment station, paid in annual installments with interest rate at 4.50% through 2042	\$ 630,423	\$ 638,423
Total Proprietary Fund Type debt obligations	<u>\$ 630,423</u>	<u>\$ 638,423</u>

Transactions for the years ended December 31, 2009 and 2008 are summarized as follows:

<u>Proprietary Fund Type</u> <u>Description</u>	<u>Balance</u> <u>12/31/08</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/09</u>
USDA - Rural Development	\$ 638,423	\$ -	\$ (8,000)	\$ 630,423
Total Proprietary Fund Type debt obligations	<u>\$ 638,423</u>	<u>\$ -</u>	<u>\$ (8,000)</u>	<u>\$ 630,423</u>

<u>Proprietary Fund Type</u> <u>Description</u>	<u>Balance</u> <u>12/31/07</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/08</u>
USDA - Rural Development	\$ 653,069	\$ -	\$ (14,646)	\$ 638,423
Total Proprietary Fund Type debt obligations	<u>\$ 653,069</u>	<u>\$ -</u>	<u>\$ (14,646)</u>	<u>\$ 638,423</u>

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 5 - DEBT OBLIGATIONS - (Continued)**

The principal and interest requirements to retire the debt obligations outstanding at December 31, 2009, are as follows:

Year Ending December 31,	USDA		
	Principal	Interest	Total
2010	\$ 8,000	\$ 28,369	\$ 36,369
2011	9,000	28,009	37,009
2012	9,000	27,604	36,604
2013	10,000	27,199	37,199
2014	10,000	26,749	36,749
2015 - 2019	59,000	126,410	185,410
2020 - 2024	74,000	111,785	185,785
2025 - 2029	95,000	93,470	188,470
2030 - 2034	117,000	70,250	187,250
2035 - 2039	147,000	41,225	188,225
2040 - 2042	92,423	7,932	100,355
Total	<u>\$ 630,423</u>	<u>\$ 589,002</u>	<u>\$ 1,219,425</u>

**NOTE 6 - DEBT COVENANT**

The Village's USDA mortgage revenue bond debt covenant requires the Village to maintain a Sewer System Debt Reserve Fund and a Sewer System Reserve Fund. The debt covenant further requires the following: the Village must first pay all reasonable and proper expenses of operating and maintaining the Sewer fund; second, the Village must monthly, on the last day of each month, pay 1/12<sup>th</sup> of the next ensuring principal and 1/6<sup>th</sup> of the interest payment into the Sewer Debt Reserve Fund; third, out of the remaining balance, the Village must make up any previous deficiency in any monthly allocation; and fourth, out of the remaining balance of income and revenue after the previous allocations required, a deposit is to be made in the Sewer System Reserve Fund until there is accumulated in the fund the sum of \$37,000 after which no further deposits need be made into said Sewer System Reserve Fund except to replace withdrawals.

**NOTE 7 - RETIREMENT SYSTEM**

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

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

**NOTE 7 - RETIREMENT SYSTEM - (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For the years ended December 31, 2009 and 2008, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2009 and 2008, respectively. At December 31, 2009, all amounts for the years ended 2009 and 2008 have been paid.

**NOTE 8 - RISK MANAGEMENT**

The Village is a participant in the Ohio Municipal League Joint Self-Insurance Pool (the "Pool"). The Pool was established in 1987 and is administered under contract by the Ohio Municipal League to provide a program of property and casualty self-insurance for its member organizations throughout the State of Ohio. The Pool's general objectives are to formulate, develop, and administer a program of self-insurance, to obtain lower costs for coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool, as well as current members, are subject to a supplemental assessment or a refund, at the discretion of the board of trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there have been no assessments or refunds.

The Village obtained insurance coverage from the Pool for general liability, public officials' error and omissions and property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has not been a reduction in coverage.

The Pool is, and ultimately the participants are, contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets	\$ 1,872,058	\$ 2,298,708
Liabilities	<u>(1,251,599)</u>	<u>(1,894,122)</u>
Accumulated Surplus	<u>\$ 620,459</u>	<u>\$ 404,586</u>

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 9 - MISCELLANEOUS RECEIPTS**

Miscellaneous receipts in the General fund for the year end December 31, 2009 consists primarily of insurance reimbursements and a local grant.

**NOTE 10 - CONTINGENT LIABILITY**

LITIGATION

The Village is not currently involved in litigation.





**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

Members of Council and Mayor  
Village of Fulton  
P.O. Box 5  
Fulton, Ohio 43321

We have audited the financial statements of the Village of Fulton, Morrow County, Ohio, as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 29, 2010, wherein we noted the Village of Fulton followed accounting practices the Auditor of State prescribes or permits 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Fulton's internal control over financial reporting as a basis for designing our auditing 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 of Fulton's internal control over financial reporting. Accordingly we have not opined on the effectiveness of the Village of Fulton'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 internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village of Fulton's financial statements 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Members of Council and Mayor  
Village of Fulton

Compliance and Other Matters

As part of reasonably assuring whether the Village of Fulton's financial statements are free of material misstatements, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted a certain matter not requiring inclusion in this report that we reported to the Village of Fulton's management in a separate letter dated June 29, 2010.

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



Julian & Grube, Inc.  
June 29, 2010

**VILLAGE OF FULTON  
MORROW COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009 AND 2008**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2007-001	<u>Significant Deficiency</u> - Internal Control and Review Procedures: The Village did not establish formal procedures to reasonably assure completeness and accuracy of the monthly reporting.	Yes	N/A
2007-002	Ohio Revised Code Section 5705.41(C) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.	Yes	N/A
2007-003	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.	Yes	N/A
2007-004	Ohio Revised 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.	Yes	N/A





**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  
SEPTEMBER 7, 2010**