

**VILLAGE OF FULTON
MORROW COUNTY, OHIO**

Financial Statements
(Audited)

For The Years Ended
December 31, 2015 and 2014

KAREN MAY, FISCAL OFFICER



Dave Yost • Auditor of State

Village Council
Village of Fulton
4881 County Road 23
Cardington, Ohio 43315

We have reviewed the *Independent Auditor's Report* of the Village of Fulton, Morrow County, prepared by Julian & Grube, Inc., for the period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted this report in lieu of the audit required by Section 117.11, Revised Code.

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 14, 2016

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**VILLAGE OF FULTON
MORROW COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Village of Fulton
Morrow County
4881 County Road 23
Cardington, Ohio 43315

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fulton, Morrow County, Ohio, as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village of Fulton's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village of Fulton's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village of Fulton prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village of Fulton does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Fulton as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Fulton, Morrow County, Ohio, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2016, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Fulton's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 23, 2016

**VILLAGE OF FULTON
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 9,085	\$ -	\$ 9,085
Other Local Taxes	-	592	592
Intergovernmental	17,089	13,605	30,694
Fines, Licenses and Permits	2,529	-	2,529
Earnings on Investments	48	10	58
Donations	-	31,345	31,345
Miscellaneous	303	1,046	1,349
Total Cash Receipts	<u>29,054</u>	<u>46,598</u>	<u>75,652</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,222	-	4,222
Public Health Services	183	-	183
Leisure Time Activities	-	36,315	36,315
Transportation	-	25,823	25,823
General Government	19,425	700	20,125
Total Cash Disbursements	<u>23,830</u>	<u>62,838</u>	<u>86,668</u>
Net Change in Fund Cash Balances	5,224	(16,240)	(11,016)
Fund Cash Balances, January 1, 2015	<u>26,938</u>	<u>57,601</u>	<u>84,539</u>
Fund Cash Balances, December 31, 2015			
Restricted	-	41,361	41,361
Assigned	1,361	-	1,361
Unassigned (Deficit)	30,801	-	30,801
Fund Cash Balances, December 31, 2015	<u>\$ 32,162</u>	<u>\$ 41,361</u>	<u>\$ 73,523</u>

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

**VILLAGE OF FULTON
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 104,560
Miscellaneous	535
Total Operating Cash Receipts	105,095
Operating Cash Disbursements:	
Personal Services	2,483
Employee Fringe Benefits	492
Contractual Services	56,521
Supplies and Materials	9,654
Total Operating Cash Disbursements	69,150
Operating Income (Loss)	35,945
Non-Operating Cash Receipts (Disbursements):	
Property and Other Local Taxes	11,410
Intergovernmental	1,980
Special Assessments	11,462
Earnings on Investments	441
Debt Service:	
Principal Retirement	(11,000)
Interest and Other Fiscal Charges	(26,299)
Total Non-Operating Cash Receipts (Disbursements)	(12,006)
Net Change in Fund Cash Balances	23,939
Fund Cash Balances, January 1, 2015	249,381
Fund Cash Balances, December 31, 2015	\$ 273,320

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

**VILLAGE OF FULTON
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 8,711	\$ -	\$ 8,711
Intergovernmental	15,113	12,847	27,960
Charges for Services	200	-	200
Fines, Licenses and Permits	3,134	-	3,134
Earnings on Investments	23	3	26
Donations	-	18,064	18,064
Miscellaneous	1	-	1
Total Cash Receipts	<u>27,182</u>	<u>30,914</u>	<u>58,096</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,403	-	4,403
Public Health Services	183	-	183
Leisure Time Activities	-	8,804	8,804
Transportation	-	27,092	27,092
General Government	15,711	1,202	16,913
Total Cash Disbursements	<u>20,297</u>	<u>37,098</u>	<u>57,395</u>
Net Change in Fund Cash Balances	6,885	(6,184)	701
Fund Cash Balances, January 1, 2014	<u>20,053</u>	<u>63,785</u>	<u>83,838</u>
Fund Cash Balances, December 31, 2014			
Restricted	-	57,601	57,601
Assigned	275	-	275
Unassigned (Deficit)	26,663	-	26,663
Fund Cash Balances, December 31, 2014	<u>\$ 26,938</u>	<u>\$ 57,601</u>	<u>\$ 84,539</u>

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

**VILLAGE OF FULTON
MORROW COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 103,653
Miscellaneous	60
Total Operating Cash Receipts	103,713
Operating Cash Disbursements:	
Personal Services	2,385
Employee Fringe Benefits	594
Contractual Services	55,345
Supplies and Materials	8,125
Total Operating Cash Disbursements	66,449
Operating Income (Loss)	37,264
Non-Operating Cash Receipts (Disbursements):	
Property and Other Local Taxes	11,247
Intergovernmental	2,102
Special Assessments	10,834
Earnings on Investments	380
Debt Service:	
Principal Retirement	(10,000)
Interest and Other Fiscal Charges	(26,749)
Total Non-Operating Cash Receipts (Disbursements)	(12,186)
Net Change in Fund Cash Balances	25,078
Fund Cash Balances, January 1, 2014	224,303
Fund Cash Balances, December 31, 2014	\$ 249,381

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

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. DESCRIPTION OF THE ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fulton, Morrow County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance and repair, sewer utility services, as well as other general government services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

B. 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.

The Village values Certificates of Deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values on the mutual funds report.

C. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

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 FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Parks and Recreation – This fund receives donations from members of the community and local businesses to fund construction and maintenance of the park.

3. Enterprise Funds

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

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

D. 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. The Village did not certify its appropriations to the County Budget Commission. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources. The Village did not certify its Estimate Resources to the County Budget Commission for the years ended December 31, 2015 and December 31, 2014.

3. Encumbrances

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

A summary of 2015 and 2014 budgetary activity appears in Note 4.

E. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$132,475	\$219,854
Certificates of deposit	57,559	57,329
Other time deposits (savings account)	116,202	16,172
Total deposits	306,236	293,355
STAR Ohio	40,607	40,565
Total investments	40,607	40,565
Total deposits and investments	\$346,843	\$333,920

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

3. EQUITY IN POOLED DEPOSITS AND INVESTMENTS – (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

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.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$29,054	\$29,054
Special Revenue	0	46,598	46,598
Enterprise	0	130,388	130,388
Total	\$0	\$206,040	\$206,040

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$25,191	(\$25,191)
Special Revenue	0	63,699	(63,699)
Enterprise	0	109,640	(109,640)
Total	\$0	\$198,530	(\$198,530)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$27,182	\$27,182
Special Revenue	0	30,914	\$30,914
Enterprise	0	128,276	\$128,276
Total	\$0	\$186,372	\$186,372

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$20,572	(\$20,572)
Special Revenue	0	37,098	(37,098)
Enterprise	0	104,313	(104,313)
Total	\$0	\$161,983	(\$161,983)

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

5. 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.

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

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
2002 USDA Rural Development Sewer Project Note	\$573,423	4.50%
Total	\$573,423	

Transactions for the years ended December 31, 2015 and 2014 are summarized as follows:

<u>2015</u>	Balance at 12/31/2014	Proceeds	Retirements	Balance at 12/31/2015
2002 USDA Rural Development Sewer Projects Note	\$ 584,423	\$ -	\$ (11,000)	\$ 573,423
Total	\$ 584,423	\$ -	\$ (11,000)	\$ 573,423

<u>2014</u>	Balance at 12/31/2013	Proceeds	Retirements	Balance at 12/31/2014
2002 USDA Rural Development Sewer Projects Note	\$ 594,423	\$ -	\$ (10,000)	\$ 584,423
Total	\$ 594,423	\$ -	\$ (10,000)	\$ 584,423

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

6. DEBT – (Continued)

The Village's USDA mortgage revenue bond 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 1/12th of the next payment, ensuring principal, and 1/6th of the next interest payment into the Sewer System Debt Reserve Fund; third, out of the remaining balance, the Village must make up any previous deficiency in any monthly allocation; fourth, out of the remaining balance of income and revenue after previous allocations required, a deposit 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 to be made into said Sewer System Reserve Fund except to replace withdrawals. The balance in the Sewer Loan Reserve fund at December 31, 2015 is \$57,561.

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

Year ending December 31:	USDA Mortgage Revenue Bond		
	Principal	Interest	Total
2016	\$11,000	\$25,804	\$36,804
2017	12,000	25,309	\$37,309
2018	12,000	24,769	\$36,769
2019	13,000	24,229	\$37,229
2020	14,000	23,644	\$37,644
2021-2025	77,000	108,455	\$185,455
2026-2030	99,000	89,195	\$188,195
2031-2035	123,000	64,985	\$187,985
2036-2040	153,000	34,610	\$187,610
2041-2042	59,423	3,773	\$63,196
Total	\$573,423	\$424,773	\$998,196

7. RETIREMENT SYSTEM

The Village's 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.

Contribution rates are also prescribed by the Ohio Revised Code. For the years ended December 31, 2015 and 2014, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2015, respectively. The Village has paid all contributions required through December 31, 2015.

8. RISK POOL MEMBERSHIP

The Government belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

8. RISK POOL MEMBERSHIP – (Continued)

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2015, retention levels are \$50,000 and \$100,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under 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 surplus at March 31, 2015 and 2014

	2015	2014
Assets	\$1,339,719	\$1,030,198
Liabilities	(\$1,051,927)	(\$882,203)
Accumulated Surplus	\$287,792	\$147,995

9. CONTINGENT LIABILITIES

Litigation

At December 31, 2015, the Village was not currently involved in any lawsuits that would have a material adverse effect on the Village's financial position.

10. COMPLIANCE

The Village was in noncompliance with Ohio Revised Code Section 149.43 for not being able to provide an approved public records policy, Ohio Revised Code Section 733.81 for being unable to provide evidence of completion of a continuing education program, Ohio Revised Code Section 5705.41(D) for not certifying expenditures timely, Ohio Revised Code Section 5705.36 for not submitting Certificates of Estimated Resources to the County Budget Commission for proper approval, Ohio Revised Code Section 5705.41(B) for having expenditures in excess of appropriations, Ohio Revised Code Section 5705.40 for expending monies that were not properly appropriated for with the County Budget Commission, and Ohio Revised Code Section 5705.38 for not submitting appropriations to the County Budget Commission for proper approval. The Village was in noncompliance with the Ohio Administrative Code Section 117-2-02(C)(1) for not integrating legal appropriation measures into the Village's UAN software.

11. SUBSEQUENT EVENT

During 2015 the Village entered into a contract with OPWC for Road and Culvert improvements to be performed within the Village in the amount of \$149,000. The work is set to be completed during 2016.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Village of Fulton
Morrow County
4881 County Road 23
Cardington, Ohio 43315

To the Members of Council and Mayor:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Fulton, Morrow County, Ohio, as of and for the years ended December 31, 2015 and 2014 and the related notes to the financial statements and have issued our report thereon dated June 23, 2016, wherein we noted the Village of Fulton followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village of Fulton's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village of Fulton's internal control. Accordingly, we have not opined on it.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village of Fulton's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2015-001 through 2015-006 to be material weaknesses.

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 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 statements amounts. However, opining 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 and responses as items 2015-003 through 2015-010.

Village of Fulton's Responses to Findings

The Village of Fulton's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Village of Fulton's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village of Fulton's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Fulton's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
June 23, 2016

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

Numerous adjustments were made to the financial statements for the years ended December 31, 2015 and 2014, to properly state financial statement amounts.

The audited financial statements and Village records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, the Village Handbook, the Auditor of State and/or Ohio Municipal League to help ensure accurate financial reporting.

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Village and has implemented additional policies and procedures to help with financial statement presentation.

Finding Number	2015-002
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Material Weakness – Meeting Minutes

An entity should have clear, concise, and organized minutes from meetings. These should include, but is not limited to, concise approval of actions, each council members decision, and record of numeric ordinance resolutions.

The Village’s meeting minutes and ordinances were not maintained in an orderly and appropriate fashion. There were multiple instances, including, but not limited to multiple ordinances being passed under the same number, but for different issues.

Lack of orderly and appropriate Village minutes and ordinances opens up the Village to questions and potential losses.

We recommend the Village maintain all records in an orderly accurate fashion.

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-002 - (Continued)

Client Response: The Village Fiscal Officer will improve the accuracy of the Council minutes.

Finding Number	2015-003
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Noncompliance/Material Weakness

Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until April 1 if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances.

The Village could not provide evidence of any County Budget Commission approved or certified permanent appropriations for the years ended December 31, 2015 and 2014.

The lack of evidence of certified appropriations from the County Budget Commission may hinder the Village's ability to effectively budget and monitor disbursements related to the budget.

We recommend that Village adopt procedures for submitting their appropriations to the county auditor to be certified against their Certificate of Estimated Resources and include these procedures in an accounting policies and procedures manual. We recommend that the Fiscal Officer develop a tickler file including all significant due dates of the budgeting process. The temporary or permanent appropriation measures should be submitted to the County Budget Commission once approved by the Council.

Client Response: The Village will properly submit the required documents annually to the county auditor as required.

Finding Number	2015-004
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Noncompliance/Material Weakness

Ohio Revised Code Section 5705.36, in part, requires Fiscal Officers to certify to the County Auditor the total amount from all sources which are available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Village did not submit their Certificate of Estimated Resources for 2015 and 2014 to the County Auditor for certification.

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-004 - (Continued)

The Village is not properly certifying its audited balances to the appropriate authorities as required by law. The Village is not properly certifying its estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources.

We recommend that the Village consult the Ohio Compliance Supplement, the Village Officer’s Manual and its auditors to ensure that Village fund balances agree to audited reports. We further recommend the Village certify its available sources at year end and file amended certificates as necessary throughout the year. This will facilitate the Village’s appropriation process.

Client Response: The Village will certify resources to the county timely and update if applicable throughout the year.

Finding Number	2015-005
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Noncompliance/Material Weakness

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in developing the original appropriations.

The Village did not properly amend its appropriations by submitting them to the County Budget Commission throughout the years ended December 31, 2015 and 2014.

By not timely and properly modifying the appropriations, the potential to overspend in certain funds exists.

We recommend the Village comply with the Ohio Revised Code and monitor appropriations and certified resources to ensure proper budgeting and to prevent excess spending. In addition, the Village should monitor its budgetary process on a regular basis and make amendments as necessary.

Client Response: The Village will modify their appropriations throughout the year if applicable.

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-006

Noncompliance/Material Weakness

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

For the years ended December 31, 2015 and 2014 the Village had expenditures plus outstanding encumbrances in excess of appropriations at the legal the legal level of control in all funds due to not certifying appropriations with the County Budget Commission.

With expenditures exceeding appropriations, the Village is spending monies that have not lawfully been appropriated by the Village Council. This may result in unnecessary spending.

We recommend the Village comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget more closely on a continual basis.

Client Response: The Village will modify their appropriations throughout the year if applicable.

Finding Number	2015-007
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Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The Village did not properly certify any appropriations for the years ended December 31, 2015 and 2014. As a result, the Village could not properly certify any disbursements made during the years ended December 31, 2015 and 2014.

Without certification, the Village may expend more funds than available in the treasury, or in the process of collection, or appropriated. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District may also use “Then & Now” certification to approve a purchase order, when applicable.

Client Response: We will look to improve in this area and utilize then and now’s when applicable.

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-008

Ohio Administrative Code Section 117-2-02(C)(1) requires local public offices to 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.

The Village’s UAN system included appropriations that were not legal since they were not approved by the County Budget Commission for the years ended December 31, 2015 and 2014.

Lack of evidence of certified appropriations from the County Budget Commission hinders the Village’s ability to effectively budget and monitor disbursements related to the budget.

We recommend that Village adopt procedures for accurately tracking and integrating their County Budget Commission approved appropriations within their UAN system to effectively monitor their budget throughout the year.

Client Response: The Village will properly track their budgetary measures during the year as required.

Finding Number	2015-009
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Ohio Revised Code Section 733.81 – Fiscal Integrity Act requires any elected or appointed fiscal officer to complete at least six hours of initial education programs before commencing, or during the first year of office. An additional eighteen hours of continuing education must be completed within the fiscal officer’s first term. Twelve hours of training shall be completed for each subsequent term.

The Village Fiscal Officer could not provide evidence of any completed continuing education programs during the fiscal years ended December 31, 2015 and 2014.

Not attending training could lead to the Village Fiscal Officer not being aware of recent fiscal changes. In addition, the Village Fiscal Officer may not receive pertinent information regarding Ohio compliance of financial presentations, issues, etc.

We recommend that the Village’s Fiscal Officer attend the next training for Village Fiscal Officers and continue to attend training on an annual basis as required by the Fiscal Integrity Act.

Client Response: The Village has had turnover in the Clerk/Treasurer and Council positions. This is making it difficult to attend trainings.

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-010

Ohio Revised Code Section 149.43 states all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, governmental units shall maintain public records in such that they can make available for inspection.

The Village was unable to provide an approved public records policy.

Due to the Village not being able to provide an approved public records policy, the result could be the Village not fulfilling public records requests timely, or evidencing that they handled any public records request in accordance with the Ohio Revised Code requirements.

We recommend the Village adopt a public records policy, which states what records are available, times when records may be reviewed and costs for copies to be made.

Client Response: The Village will work on adopting a public records policy in the near future.



Dave Yost • 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
JULY 26, 2016**