



Dave Yost • Auditor of State

VILLAGE OF FULTON
MORROW COUNTY

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Dave Yost • Auditor of State

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 (the Village) as of and for the years ended December 31, 2017 and 2016.

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 statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village'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's internal control. Accordingly, we express no such 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 opinions.

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

As described in Note 2 of the financial statements, the Village 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 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 as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fulton, Morrow County as of December 31, 2017 and 2016, 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 September 4, 2018, 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. 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's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

September 4, 2018

Village of Fulton, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$9,804	\$0	\$0	\$9,804
Intergovernmental	14,489	13,926	0	28,415
Special Assessments	0	11,593	0	11,593
Fines, Licenses and Permits	2,689	0	0	2,689
Earnings on Investments	18	102	0	120
Miscellaneous	122	10,185	0	10,307
<i>Total Cash Receipts</i>	<u>27,122</u>	<u>35,806</u>	<u>0</u>	<u>62,928</u>
Cash Disbursements				
Current:				
Security of Persons and Property	6,852	0	0	6,852
Public Health Services	183	0	0	183
Leisure Time Activities	0	14,437	0	14,437
Transportation	0	5,110	0	5,110
General Government	29,748	642	0	30,390
Capital Outlay	0	0	12,287	12,287
Debt Service:				
Principal Retirement	0	555	0	555
<i>Total Cash Disbursements</i>	<u>36,783</u>	<u>20,744</u>	<u>12,287</u>	<u>69,814</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(9,661)</u>	<u>15,062</u>	<u>(12,287)</u>	<u>(6,886)</u>
Other Financing Receipts				
Other Debt Proceeds	0	0	12,287	12,287
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>0</u>	<u>12,287</u>	<u>12,287</u>
<i>Net Change in Fund Cash Balances</i>	(9,661)	15,062	0	5,401
<i>Fund Cash Balances, January 1</i>	<u>33,263</u>	<u>59,019</u>	<u>0</u>	<u>92,282</u>
Fund Cash Balances, December 31				
Restricted	0	74,081	0	74,081
Unassigned	23,602	0	0	23,602
<i>Fund Cash Balances, December 31</i>	<u>\$23,602</u>	<u>\$74,081</u>	<u>\$0</u>	<u>\$97,683</u>

See accompanying notes to the basic financial statements

Village of Fulton, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$102,727
Fines, Licenses and Permits	150
<i>Total Operating Cash Receipts</i>	<i>102,877</i>
Operating Cash Disbursements	
Personal Services	2,600
Employee Fringe Benefits	79
Contractual Services	68,661
Supplies and Materials	3,145
<i>Total Operating Cash Disbursements</i>	<i>74,485</i>
<i>Operating Income</i>	<i>28,392</i>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	18,550
Intergovernmental	2,112
Special Assessments	11,387
Earnings on Investments (proprietary funds only)	630
Principal Retirement	(12,000)
Interest and Other Fiscal Charges	(25,309)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(4,630)</i>
<i>Net Change in Fund Cash Balances</i>	<i>23,762</i>
<i>Fund Cash Balances, January 1</i>	<i>296,242</i>
<i>Fund Cash Balances, December 31</i>	<i>\$320,004</i>

See accompanying notes to the basic financial statements

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting – (Continued)

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

Street Levy Fund – This fund receives property tax revenue to fund the construction and maintenance of Village roads.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project:

OPWC Fund - This fund receives revenue from OPWC grants and loans to fund the completion of a Village culvert construction project.

4. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources. The Village did certify its Estimate Resources to the County Budget Commission for the year ended December 31, 2017.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

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:

	2017
Demand Deposits	\$ 192,080
Certificate of Deposit	\$ 58,022
Other Time Deposits (Savings Account)	\$ 126,323
Total Deposits	\$ 376,425
STAR Ohio	\$ 41,262
Total Investments	\$ 41,262
Total Deposits and Investments	\$ 417,687

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 year ending December 31 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,020	\$27,122	(\$898)
Special Revenue	23,680	35,806	12,126
Capital Project	149,000	12,287	(136,713)
Enterprise	123,730	135,556	11,826
Total	\$324,430	\$210,771	(\$113,659)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$45,565	\$36,783	\$8,782
Special Revenue	22,569	20,744	1,825
Capital Project	127,165	12,287	114,878
Enterprise	135,159	111,794	23,365
Total	\$330,458	\$181,608	\$148,850

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

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, 2017 was as follows:

	Principal	Interest Rate
2002 USDA Rural Development Sewer Project Note	\$550,423	4.50%
OPWC - Loan Culvert Replacement	\$32,735	0.00%
Total	\$583,158	

Transactions for the year ended December 31, 2017 is summarized as follows:

<u>2017</u>	Balance at 12/31/2016	Proceeds	Retirements	Balance at 12/31/2017
2002 USDA Rural Development Sewer Projects Note	\$ 562,423	\$ -	\$ (12,000)	\$ 550,423
2017 OPWC Culvert Replacement	\$ -	\$ 33,290	\$ (555)	\$ 32,735
Total	\$ 562,423	\$ 33,290	\$ (12,555)	\$ 583,158

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, 2017 is \$58,097.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

6. DEBT (Continued)

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

Year ending December 31:	USDA Mortgage Revenue Bond			OPWC Loan
	Principal	Interest	Total	Principal
2018	\$12,000	\$24,769	\$36,769	\$1,109
2019	13,000	24,229	37,229	1,109
2020	14,000	23,644	37,644	1,109
2021	14,000	23,014	37,014	1,109
2022	15,000	22,384	37,384	1,109
2023-2027	85,000	101,345	186,345	5,549
2028-2032	107,000	80,105	187,105	5,549
2033-2037	135,000	53,645	188,645	5,549
2038-2042	155,423	20,525	175,948	5,549
2043-2047				4,994
Total	<u>\$550,423</u>	<u>\$373,660</u>	<u>\$924,083</u>	<u>\$32,735</u>

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 was completed during 2016. Although the physical work was completed, the financial aspect of the project was still open as of December 31, 2016. Once everything was paid and finalized in the spring of 2017, the resulting loan amount for the Village was unknown until that time. Everything has been finalized and payments started as of July 1, 2017.

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 year ended December 31, 2017, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2017. The Village has paid all contributions required through December 31, 2017.

8. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017
(Continued)**

9. RISK POOL MEMBERSHIP

The Village is insured through an Independent Insurance Agent through EMC Insurance Company. EMC provides property and casualty insurance for the village.

10. CONTINGENT LIABILITIES

Litigation

At December 31, 2017, the Village was not currently involved in any lawsuits that would have a material adverse effect on the Village's financial position.

Village of Fulton, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$8,481	\$718	\$0	\$9,199
Intergovernmental	19,178	12,869	106,162	138,209
Special Assessments	0	129	0	129
Fines, Licenses and Permits	2,591	0	0	2,591
Earnings on Investments	44	55	0	99
Miscellaneous	1,445	10,050	0	11,495
<i>Total Cash Receipts</i>	<u>31,739</u>	<u>23,821</u>	<u>106,162</u>	<u>161,722</u>
Cash Disbursements				
Current:				
Security of Persons and Property	6,783	0	0	6,783
Public Health Services	183	0	0	183
Leisure Time Activities	0	878	0	878
Transportation	0	4,362	0	4,362
General Government	23,672	923	0	24,595
Capital Outlay	0	0	127,165	127,165
<i>Total Cash Disbursements</i>	<u>30,638</u>	<u>6,163</u>	<u>127,165</u>	<u>163,966</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,101</u>	<u>17,658</u>	<u>(21,003)</u>	<u>(2,244)</u>
Other Financing Receipts				
Sale of Notes	0	0	21,003	21,003
<i>Total Other Financing Receipts</i>	<u>0</u>	<u>0</u>	<u>21,003</u>	<u>21,003</u>
<i>Net Change in Fund Cash Balances</i>	1,101	17,658	0	18,759
<i>Fund Cash Balances, January 1</i>	<u>32,162</u>	<u>41,361</u>	<u>0</u>	<u>73,523</u>
Fund Cash Balances, December 31				
Restricted	0	59,019	0	59,019
Unassigned	33,263	0	0	33,263
<i>Fund Cash Balances, December 31</i>	<u>\$33,263</u>	<u>\$59,019</u>	<u>\$0</u>	<u>\$92,282</u>

See accompanying notes to the basic financial statements

Village of Fulton, Ohio
Morrow County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2016

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$113,970
<i>Total Operating Cash Receipts</i>	<i>113,970</i>
Operating Cash Disbursements	
Personal Services	4,645
Employee Fringe Benefits	578
Contractual Services	63,278
Supplies and Materials	10,112
<i>Total Operating Cash Disbursements</i>	<i>78,613</i>
<i>Operating Income</i>	<i>35,357</i>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	11,731
Special Assessments	12,216
Earnings on Investments	422
Principal Retirement	(11,000)
Interest and Other Fiscal Charges	(25,804)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(12,435)</i>
<i>Net Change in Fund Cash Balances</i>	<i>22,922</i>
<i>Fund Cash Balances, January 1</i>	<i>273,320</i>
<i>Fund Cash Balances, December 31</i>	<i>\$296,242</i>

See accompanying notes to the basic financial statements

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. DESCRIPTION OF THE ENTITY

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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.

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The Village values Certificates of Deposit at cost. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting - (Continued)

State Highway – This fund receives revenue from state taxes to fund construction and maintenance of the State highway.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project:

OPWC Fund: This fund receives revenue from OPWC grants and loans to fund the completion of a Village culvert construction project.

4. 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled and reappropriated in the subsequent year.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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:

Demand deposits	\$173,649
Certificates of deposit	57,790
Other time deposits (savings account)	116,260
Total deposits	<u>347,699</u>
STAR Ohio	40,825
Total investments	<u>40,825</u>
The deposits and investments	<u><u>388,524</u></u>

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 year ending December 31 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,110	\$31,739	\$7,629
Special Revenue	16,087	23,821	7,734
Capital Project	149,000	127,165	(21,835)
Enterprise	120,710	138,339	17,629
Total	<u>\$309,907</u>	<u>\$321,064</u>	<u>\$11,157</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$47,562	\$30,638	\$16,924
Special Revenue	20,734	6,163	14,571
Capital Project	149,000	127,165	21,835
Enterprise	147,370	115,417	31,953
Total	<u>\$364,666</u>	<u>\$279,383</u>	<u>\$85,283</u>

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

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, 2016 was as follows:

	Principal	Interest Rate
2002 USDA Rural Development Sewer Project Note	\$562,423	4.50%
Total	\$562,423	

Transactions for the year ended December 31, 2016 is summarized as follows:

<u>2016</u>	Balance at 12/31/2015	Proceeds	Retirements	Balance at 12/31/2016
2002 USDA Rural Development Sewer Projects Note	\$ 573,423	\$ -	\$ (11,000)	\$ 562,423
Total	\$ 573,423	\$ -	\$ (11,000)	\$ 562,423

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, 2016 is \$57,790.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

6. DEBT – (Continued)

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

Year ending December 31:	USDA Mortgage Revenue Bond		
	Principal	Interest	Total
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	\$562,423	\$398,969	\$961,392

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 year ended December 31, 2016, OPERS members contributed 10% of their gross salaries. The Village contributed an amount equal to 14% of participants' gross salaries for 2016. The Village has paid all contributions required through December 31, 2016.

8. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

9. RISK POOL MEMBERSHIP

The Village is insured through an Independent Insurance Agent through EMC Insurance Company. EMC provides property and casualty insurance for the village.

**VILLAGE OF FULTON
MORROW COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

10. CONTINGENT LIABILITIES

Litigation

At December 31, 2016, the Village was not currently involved in any lawsuits that would have a material adverse effect on the Village's financial position.

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. Although the physical work was completed, the financial aspect of the project is still open as of December 31, 2016. Until everything has been paid and finalized, the resulting loan amounts for the Village are unknown until sometime in 2017.



Dave Yost • Auditor of State

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, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated September 4, 2018 wherein we noted the Village 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'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'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 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'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 material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

September 4, 2018

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Material Weakness – Financial Statement Presentation

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Village did not always accurately post receipts to the Village's accounting system and financial statements. Mispostings identified included, but were not limited, to the following:

- During 2017, \$717, \$5,098 and \$110 of property tax receipts were improperly posted as special assessments receipts, utility receipts and intergovernmental receipts, respectively, within the Sewer Operating Fund.
- During 2017, \$1,018 of intergovernmental receipts was improperly posted as property tax receipts within the Sewer Operating Fund.
- During 2016, \$7,450 of sale of notes was improperly posted as intergovernmental receipts within the Capital Projects Fund.
- During 2016, \$2,387 of intergovernmental receipts were improperly recorded as property tax receipts within the General Fund.
- During 2016, beginning fund balance adjustments in the amount of \$61 were made to increase the General Fund beginning balance and reduce Enterprise Fund beginning balance to account for a 2015 adjustment that was not posted to the Village's accounting system.

These amounts were adjusted to the Village's financial statements and accounting system, where applicable.

We identified other immaterial reclassifications ranging from \$708 to \$2,172 that were brought to management's attention as unadjusted differences.

Lack of controls over posting receipts accurately to the ledgers could result in the financial statements requiring audit reclassifications; furthermore, inaccurate accounting records could make it difficult for the Village Council to effectively monitor the Village's activities or identify misstatements or errors in a timely manner.

The Village should review the Village Officer's Handbook and exercise due care when posting transactions to help ensure receipts are posted to the correct fund and account. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

VILLAGE OF FULTON
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017
(Continued)

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

Officials' Response

We are aware of the coding errors. All of these receipts were posted to the correct fund. We will work to correct these errors going forward.

**VILLAGE OF FULTON
MORROW COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Material Weakness – Financial Statement Presentation	Not Corrected	Repeated as Finding Number 2017-001.
2015-002	Material Weakness – Meeting Minutes	Fully Corrected	
2015-003	Material Weakness/Noncompliance – Certified Permanent Appropriations	Fully Corrected	
2015-004	Material Weakness/Noncompliance – Certificate of Estimated Resources	Fully Corrected	
2015-005	Material Weakness/Noncompliance – Certified Amendments to Appropriations	Fully Corrected	
2015-006	Material Weakness/Noncompliance – Expenditures in excess of appropriations	Fully Corrected	
2015-007	Noncompliance – 5705.41(D)	Fully Corrected	
2015-008	Noncompliance – Appropriations not agreeing to system	Partially Corrected	See comment in the Management Letter.
2015-009	Noncompliance – Continuing education requirements	Not corrected	See comment in the Management Letter
2015-010	Noncompliance – Public Records Policy	Fully corrected	

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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
NOVEMBER 8, 2018