



**Auditor of State
Betty Montgomery**

VILLAGE OF FULTON
MORROW COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Fulton, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2003, and December 31, 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As more fully discussed in Note 8 in the financial statements, the fund balances for the General, Capital Projects, and Enterprise Funds were restated as of January 1, 2002, to correct the classification of the Village's sewer construction activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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This report is intended solely for the information and use of the finance committee, management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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Betty Montgomery
Auditor of State

August 12, 2004

**VILLAGE OF FULTON
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$7,351	\$0	\$7,351
Intergovernmental Receipts	18,253	9,368	27,621
Charges for Services	660	0	660
Fines, Licenses, and Permits	717	0	717
Earnings on Investments	139	431	570
Miscellaneous	3,500	0	3,500
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	30,620	9,799	40,419
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,573	0	1,573
Transportation	0	2,243	2,243
General Government	45,921	0	45,921
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	47,494	2,243	49,737
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(16,874)	7,556	(9,318)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):			
Transfers-In	0	0	0
Transfers-Out	(5,589)	0	(5,589)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(5,589)	0	(5,589)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(22,463)	7,556	(14,907)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	28,508	65,693	94,201
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$6,045</u>	<u>\$73,249</u>	<u>\$79,294</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF FULTON
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES -PROPRIETARY FUND TYPE-
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$77,607
Miscellaneous	755
	78,362
Operating Cash Disbursements:	
Personal Services	3,237
Contractual Services	59,186
	62,423
Total Operating Cash Disbursements	62,423
Operating Income	15,939
Non-Operating Cash Receipts:	
Property tax and other Local taxes	8,085
Intergovernmental Receipts	30,006
	38,091
Total Non-Operating Cash Receipts	38,091
Non-Operating Cash Disbursements:	
Interest and Other Fiscal Charges	29,964
	29,964
Total Non-Operating Cash Disbursements	29,964
Excess of Receipts Over Disbursements Before Interfund Transfers	24,066
Transfers-In	5,589
	29,655
Net Receipts Over Disbursements	29,655
Fund Cash Balances, January 1	130,077
	159,732
Fund Cash Balances, December 31	\$159,732

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF FULTON
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES-
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,282	\$0	\$1,282
Intergovernmental Receipts	15,579	6,194	21,773
Charges for Services	709	1,773	2,482
Fines, Licenses, and Permits	0	2,722	2,722
Earnings on Investments	297	725	1,022
Miscellaneous	1,172	2,640	3,812
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	19,039	14,054	33,093
Cash Disbursements:			
Current:			
Security of Persons and Property	2,940	543	3,483
Public Health Services	0	6,220	6,220
General Government	26,652	3,593	30,245
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	29,592	10,356	39,948
Total Receipts Over/(Under) Disbursements	(10,553)	3,698	(6,855)
Fund Cash Balances, January 1 (Restated- See Note 8)	39,061	61,995	101,056
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$28,508</u>	<u>\$65,693</u>	<u>\$94,201</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF FULTON
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE-
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$85,438
Miscellaneous	435
	85,873
Operating Cash Disbursements:	
Personal Services	1,784
Supplies and Materials	62,351
Capital Outlay	197,696
	261,831
Operating (Loss)	(175,958)
Non-Operating Cash Receipts:	
Property Tax and Other Local Taxes	2,963
Intergovernmental Receipts	100,300
	103,263
Non-Operating Cash Disbursements:	
Interest and Other Fiscal Charges	39,000
	39,000
Net Receipts Over/(Under) Disbursements	(111,695)
Fund Cash Balances, January 1 (Restated - See Note 8)	241,772
Fund Cash Balances, December 31	\$130,077

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, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Fulton, Morrow County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services and sewer utilities.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Enterprise Funds

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

Sewer and Operations - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF FULTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

2. EQUITY IN POOLED CASH

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

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$239,026</u>	<u>\$224,278</u>

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

**VILLAGE OF FULTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,592	\$30,620	\$9,028
Special Revenue	12,010	9,799	(2,211)
Enterprise	82,000	122,042	40,042
Total	\$115,602	\$162,461	\$46,859

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$34,940	\$53,083	(\$18,143)
Special Revenue	57,700	2,243	55,457
Enterprise	68,600	92,387	(23,787)
Total	\$161,240	\$147,713	\$13,527

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,654	\$19,039	(\$615)
Special Revenue	11,760	14,054	2,294
Enterprise	123,927	189,136	65,209
Total	\$155,341	\$222,229	\$66,888

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$33,341	\$29,592	\$3,749
Special Revenue	57,000	10,356	46,644
Enterprise	283,291	300,831	(17,540)
Total	\$373,632	\$340,779	\$32,853

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority at the object level in the General fund by \$12,782, and in the Enterprise Sewer Construction Fund by \$55,582 for the year ended December 31, 2003, and \$38,489 for the year ended December 31, 2002. In addition, at December 31, 2003 and 2002 appropriations exceeded estimated resources in the Enterprise Sewer Construction Fund by \$ 27,144 and \$ 171,646, respectively.

**VILLAGE OF FULTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA-Rural Development	\$677,000	4.50%

The USDA Rural Development Authority loaned the Village \$677,000 for the construction of a Wastewater Treatment Lift Station. The loans will be repaid in annual installments over 40 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover the USDA debt service requirements. Principal payments do not begin until 2005.

6. RETIREMENT SYSTEM

The Village's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2003 and 2002, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries during 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members deductible.

The Pool cedes certain premiums to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2003, and 2002.

**VILLAGE OF FULTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

	<u>2003</u>	<u>2002</u> <u>(Restated)</u>
Assets	\$1,811,340	\$1,852,060
Liabilities	<u>(3,653,152)</u>	<u>(3,858,213)</u>
Retained deficit	<u>(\$1,841,812)</u>	<u>(\$2,006,153)</u>

8. RESTATED FUND BALANCES

Prior to January 1, 2002, The Sewer Construction Fund was improperly classified as a Capital Projects Fund; therefore, the fund has been reclassified as an Enterprise Fund. In addition, certain expenses related to the sewer construction project were incorrectly recorded in the General Fund rather than the Enterprise Fund. The fund cash balances have been restated as follows to correct these errors.

12/31/01 Balance	Reclassification	Restated 1/1/02 Balance
General- \$15,163	\$ 23,898	\$ 39,061
Capital Project- 255,395	(255,395)	0
Enterprise- 10,275	231,497	241,772

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Fulton, Morrow County, Ohio, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002, and have issued our report thereon dated August 12, 2004, wherein we noted the Village's General, Capital Projects, and Enterprise Fund balances were restated. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2003-001 through 2003-004. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Village in a separate letter dated August 12, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2003-005. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we do not believe the reportable condition described above is a material weakness.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 12, 2004

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Certification of Funds

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment 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 encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This Section provides two exceptions to the above requirements:

Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Village Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than three thousand dollars (one thousand dollars if prior to April 7, 2003), the fiscal officer may authorize it to be paid without the affirmation of the Village Council.

Eighty percent of expenditures tested were not certified prior to the commitment being incurred, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law, but is a key control in the disbursement process to assure that purchase commitments receive prior approval, as well as reducing the possibility of the Village's funds being over expended or exceeding budgetary spending limitations.

FINDINGS NUMBER 2003-002

Expenditures Exceed Appropriations

Ohio Rev. Code Section 5705.41(B) states in part that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated against an appropriate fund. Furthermore, expenditures may not exceed appropriations at the legal level of control. The legal level of control is defined as the level in which appropriations are approved by the Village Council.

Expenditures exceeded appropriations at the object level, which is the legal level of control, in the following funds at December 31, 2003:

Fund Name	Line Item	Appropriations	Expenditures	Variance
General Fund	Lands and Building-Supplies and Materials	\$1,000	\$13,782	\$(12,782)
Enterprise Fund-Sewer	Pumping-Contractual Services	31,400	59,186	(27,786)
Enterprise Fund-Sewer	Other Use of Funds-Other Uses	3,000	30,796	(27,796)

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDINGS NUMBER 2003-002 (Continued)

Expenditures exceeded appropriations at the object level in the following fund at December 31, 2002:

Fund Name	Line Item	Appropriations	Expenditures	Variance
Enterprise	Contract	\$200,000	\$238,489	\$(38,489)

We recommend the clerk and the Village Council monitor budget versus actual reports throughout the year to ensure expenditures do not exceed appropriations at the legal level of control. In order to keep expenditures within appropriated amounts, the Village Council may amend the annual appropriation measure by approving supplemental appropriations or transferring appropriations from one line item to another. We also recommend the Village avoid approving obligation request that will cause expenditures to exceed appropriations.

FINDINGS NUMBER 2003-003

Appropriations Limited by Estimated Revenue.

Ohio Rev. Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated revenue as certified by the budget commission.

As of December 31, 2003, appropriations exceeded total estimated resources in the Enterprise Sewer Construction Fund by \$27,144. As of December 31, 2002, appropriations exceeded estimated resources in the Enterprise Sewer Construction Fund by \$171,646, respectfully.

We recommend that the Village closely monitor its appropriations in respect to its estimated resources.

FINDING NUMBER 2003-004

Transfer of Funds- Finding For Adjustment

Ohio Rev. Code Section 5705.14 states that no transfer shall be made from one fund of a subdivision to any other fund unless the transfer meets one of the exceptions contained in that section. The exceptions are stated in sections 5705.14(A) through (H). Section 5705.14(A) through (C) authorize transfers of moneys from a bond fund, any specific improvement fund, the sinking fund, or bond retirement fund of a subdivision. Section 5705.14 (D) authorizes transfers from any special revenue fund of a subdivision after termination of the activity, service, or other undertaking for which the special fund existed. Section 5705.14 (F) pertains to transferring county revenues from motor vehicle licensing and fuel excise taxes. Section 5705.14 (G) provides a similar transfer authorization in the case of such revenues received or retained by a municipal corporation. Section 5705.14 (H) authorizes transfers of money from a county's mental retardation and developmental disabilities general fund and capital fund. All transfers, except those made from the general fund, require a resolution passed by a 2/3 vote of the taxing authority. Transfers from the general fund require a resolution passed by the majority vote of the taxing authority.

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDINGS NUMBER 2003-004 (Continued)

In addition, certain transfers not authorized pursuant to section 5705.14 may nonetheless be accomplished by the more rigorous transfer procedures set out in Ohio Rev. Code Sections 5705.15 and 5705.16. Section 5705.15 states that in addition to the transfers authorized in section 5705.14, the taxing authority of any political subdivision may, in the manner provided in this section and section 5705.16, transfer from one fund to another any public funds under its supervision except the proceeds or balances of loans, bond issues, special levies for the payment of loans or bond issues, the proceeds or balances of funds derived from any excise tax levied by law for a specified purpose, and the proceeds or balances of any license fees imposed by law for a specified purpose. Ohio Rev Code Section 5705.16 provides first that a resolution declaring the necessity of a transfer of funds be passed by a majority of the taxing authority of the political subdivision. The taxing authority must then prepare a petition addressed to the Court of Common Pleas of the county where the funds are held, and forward a copy of the petition to the tax commissioner for his examination and approval.

The following transfers were made which did not meet any of the criteria noted above to be constituted allowable. These transfers were also not approved by the Village Council. Transfer amounts denoted below were adjusted by the Village and are not reflected on the financial statements.

	<u>From</u>	<u>To</u>	<u>Amount</u>
2002			
	Enterprise Sewer Construction	General Fund	\$23,898
2003			
	Special Revenue State Highway	General Fund	\$11,500

We recommend that the Village Council review and approve only those transfers of funds deemed allowable by the Ohio Revised Code.

FINDING NUMBER 2003-005

Recording of Expenditures and Receipts

The Village did not record every transaction in the Village's Cash Journal, Receipt Journal, and Expenditure Journal. No receipt or disbursement activity for the Enterprise Sewer Construction fund was booked during 2002. This represented over \$100,000 of unbooked intergovernmental receipts and over \$197,696 in capital outlay expenditures at December 31, 2002. The Village has agreed to all adjustments and the activity is currently reflected on the Village's financial statements.

The Village should record all revenue received and expenditures (i.e. checks) written in the Village's ledgers. Failure to properly record these transactions could allow for errors to occur and go undetected by management. In addition, management decisions could be made with incomplete data and inaccurate monthly financial statements and bank reconciliations.

We recommend that the Village record all cash received and checks written in the cash journal, receipt journal, and expenditure journal to ensure proper accountability over all Village assets and to ensure management is making decisions based on sound financial data.

**VILLAGE OF FULTON
MORROW COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30659-001	Certifying All Sources Available	Yes	
2001-30659-002	Appropriations in excess of Estimated Resources	No	Not Corrected- Finding reported in current audit.
2001-30659-003	Amending or Supplementing Appropriations	Yes	
2001-30659-004	Certification of Funds	No	Not Corrected- Finding reported in current audit.
2001-30659-005	Collateral of Deposits	Yes	



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 28, 2004**