

FULTON - HENRY COUNTIES COUNCIL  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2008 AND 2007





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Fulton Henry Counties Council  
c/o Fulton County  
152 S. Fulton Street  
Suite 270  
Wauseon, Ohio 43567

We have reviewed the *Independent Auditors' Report* of the Fulton Henry Counties Council, Fulton County, prepared by Weber O'Brien Ltd., for the audit period January 1, 2007 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Fulton Henry Counties Council is responsible for compliance with these laws and regulations

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 10, 2010

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## FULTON - HENRY COUNTIES COUNCIL

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Fulton - Henry Counties Council  
660 North Perry Street  
P.O. Box 546  
Napoleon, Ohio 43545

We have audited the accompanying combined statements of net assets and activities – modified cash basis of Fulton - Henry Counties Council (the Council), as of and for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States.

The Council's financial statements do not disclose certain information about excess insurance and claims activity. In our opinion, disclosure of this information is required by the Council's basis of accounting; however, management believes it is impractical to develop such information.

In our opinion, except for the omission of the information in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the Fulton-Henry Counties Council as of December 31, 2008 and 2007, and the respective changes in its modified cash basis financial position for the years then ended on the basis of accounting described in Note 1.

Board of Directors  
Fulton - Henry Counties Council  
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009 on our consideration of Fulton - Henry Counties Council '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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Council has not presented certain claims development information that its basis of accounting has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Handwritten signature of Arthur O'Brien, Esq.

December 23, 2009



## FULTON - HENRY COUNTIES COUNCIL

### Management's Discussion and Analysis For Years Ended December 31, 2008 and 2007 Unaudited

The discussion and analysis of Fulton - Henry Counties Council's (the "Council") financial performance provides an overall review of the Council's financial activities for the years ended December 31, 2008, and 2007. The intent of this discussion and analysis is to look at the Council's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Council's financial performance.

#### Financial Highlights

Key financial highlights for 2008 and 2007 are as follows:

The Council's activities are all accounted for in a single proprietary fund.

In total, net assets increased \$961,191, and \$1,181,834, respectively.

Charges for services accounted for \$3,716,904 (97%), and \$4,231,261 (97%), respectively, of all revenues. Claims paid were \$2,136,890 (74%), and \$2,668,677 (84%), while disbursements for administrative fees and excess reinsurance premiums were \$679,428 (24%), and \$470,622 (15%) of total operating disbursements of \$2,889,564, and \$3,188,036, respectively.

#### Using the Basic Financial Statements

This annual report consists of financial statements and notes to those statements. The Council is a single enterprise fund using the modified cash basis of accounting. The combined statement of net assets and activities - modified cash basis provides information about the modified cash basis financial position and activities of the Council.

Table 1 provides a summary of the Council's net assets as of December 31, 2008, 2007, and 2006.

	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>
<u>Assets:</u>			
Cash and Investments	<u>\$3,063,229</u>	<u>\$2,102,038</u>	<u>\$920,204</u>
<u>Net Assets:</u>			
Unrestricted Net Assets	<u>\$3,063,229</u>	<u>\$2,102,038</u>	<u>\$920,204</u>

FULTON - HENRY COUNTIES COUNCIL

Management's Discussion and Analysis  
 For Years Ended December 31, 2008 and 2007  
 Unaudited  
 (Continued)

Table 2 reflects the changes in net assets for the years ended December 31, 2008, 2007, and 2006.

Table 2  
 Change in Net Assets

	2008	2007	2006
<u>Receipts:</u>			
Charges for Services	\$3,716,904	\$4,231,261	\$5,221,526
Stop Loss Recoveries	97,528	76,812	169,785
Earnings on Investments	36,323	61,797	18,415
Total Receipts	<u>3,850,755</u>	<u>4,369,870</u>	<u>5,409,726</u>
<u>Disbursements:</u>			
Claims Paid	2,136,890	2,668,677	3,909,692
Administrative Fees and Stop Loss Premiums	679,428	470,622	730,636
Other	73,246	48,737	11,767
Total Disbursements	<u>2,889,564</u>	<u>3,188,036</u>	<u>4,652,095</u>
Increase(Decrease) in Net Assets	<u>\$ 961,191</u>	<u>\$1,181,834</u>	<u>\$ 757,631</u>

Charges for services as the primary revenue source supporting the Council's insurance activities, is apparent. Approximately 97 percent of both 2008, and 2007 receipts are charges for services for insurance premiums and claims costs. Charges for services are determined each year by the governing board of the Council in conjunction with consulting specialists. Charges for services for 2008 decreased \$514,357 from 2007, and charges for services for 2007 decreased \$990,265 from 2006; in both years this was in anticipation of decreased claim payments, and because the Council reserve funding level is much improved. Claims paid decreased by \$531,787 in 2008 from 2007, and decreased \$1,241,015 in 2007 from 2006; the decrease in both years is attributed to decreases in volume of claims activity and to fewer individual, large claims from 2007 to 2006.

Administrative fees and stop loss premiums paid in 2008 increased \$208,806 from 2007 due to increases in reinsurance coverage amounts by Henry County for claims incurred by its enrolled employees. These fees and premiums, conversely, decreased in 2007 by \$260,014 due to a reduction in the numbers of enrolled employees.

Current Issues

The Council has returned to more desirable reserve funding levels. Going forward, Council members are committed to funding the Council in accordance with funding level guidelines adopted by the board in the latter half of 2008. The board is anticipating that the Council's net assets will remain stable, but required fees for services will continue to be reviewed annually.

**FULTON - HENRY COUNTIES COUNCIL**

**Management's Discussion and Analysis  
For Years Ended December 31, 2008 and 2007  
Unaudited  
(Continued)**

**Contacting the Council's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Council's finances and to reflect the Council's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Andrew Votava, Treasurer, Fulton - Henry Counties Council, c/o Fulton County, 604 N. Shoop Avenue, Wauseon, Ohio, 43567-0023.

FULTON - HENRY COUNTIES COUNCIL  
 COMBINED STATEMENTS OF NET ASSETS AND ACTIVITIES-MODIFIED CASH BASIS  
 December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>OPERATING RECEIPTS</b>		
Charges for Services	\$ 3,716,904	\$ 4,231,261
Stop Loss Recoveries	<u>97,528</u>	<u>76,812</u>
<b>TOTAL OPERATING RECEIPTS</b>	<u>3,814,432</u>	<u>4,308,073</u>
<b>OPERATING DISBURSEMENTS</b>		
Claims Paid	2,136,890	2,668,677
Stop Loss Premiums	403,229	265,936
Administrative Fees	276,199	204,686
Other Expenses	<u>73,246</u>	<u>48,737</u>
<b>TOTAL OPERATING DISBURSEMENTS</b>	<u>2,889,564</u>	<u>3,188,036</u>
<b>EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS</b>	924,868	1,120,037
<b>NON-OPERATING RECEIPTS</b>		
Earnings on Investments	<u>36,323</u>	<u>61,797</u>
<b>CHANGE IN NET ASSETS</b>	961,191	1,181,834
<b>NET ASSETS (UNRESTRICTED) - BEGINNING OF YEAR</b>	<u>2,102,038</u>	<u>920,204</u>
<b>NET ASSETS (UNRESTRICTED) - END OF YEAR</b>	<u>\$ 3,063,229</u>	<u>\$ 2,102,038</u>

The Accompanying Notes Are an  
 Integral Part of the Basic Financial Statements

**FULTON - HENRY COUNTIES COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2008 and 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the Entity**

The Fulton-Henry Counties Council, Henry County, (the Council) 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 Council is directed by a board of directors under Chapter 167 of the Ohio Revised Code as a not-for-profit Council of Governments. The Council consists of representatives from Fulton and Henry Counties. The Council was formed in 1992 and its purpose is to foster cooperation among its members in all areas of service. Currently, the Council provides health and prescription drug insurance coverage to Fulton and Henry Counties, and dental insurance coverage to Fulton County employees.

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

**Basis of Accounting**

The Council's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Council's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Council are described in the appropriate section in this note.

This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Council does not apply FASB statements issued after November 30, 1989.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as claims and accounts payable and accrued expenses and liabilities) are not recorded in these financial statements.

**FULTON - HENRY COUNTIES COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**Years Ended December 31, 2008 and 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of cash receipts and disbursements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**Cash and Investments**

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of Deposit and U.S. Treasury and Agency securities are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

**Fund Accounting**

The council accounts for all of its activities within a single proprietary fund.

**Charges for Services**

Charges for services are calculated to annually produce a sufficient sum of money within the self-insurance pool to fund administrative expenses of the Council and to create reserves for claims and unallocated loss adjustment expenses. Under the terms of membership, should annual member contributions not be sufficient to fund ultimate losses, establish adequate reserves and cover administrative expenses, the Board of Directors can require supplementary charges. Supplementary charges can be assessed during the entire life of the Council and any later period when claims or expenses need to be paid which are attributable to any membership year during which the event or claim occurred.

**Loss Reserve**

Provisions for claims reserves and loss adjustment expenses (Note 3) are based on information reported by members and are calculated by an actuary. These amounts represent an estimate of reported, unpaid claims, plus a provision for claims incurred and not reported. The claims reserve is based on the estimated ultimate cost of settling the claims, including the effects of inflation and other factors. Accordingly, the ultimate settlement of losses may vary materially from the estimated amounts disclosed in Note 3. Should the provision for claims reserves not be sufficient, supplemental contributions, as discussed above, will be assessed.

FULTON - HENRY COUNTIES COUNCIL  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Years Ended December 31, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

**Reinsurance**

The Council uses reinsurance agreements to reduce its exposure to large losses on all types on insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Council as direct insurer of the risks reinsured. The Council is contingently liable with respect to certain loss coverage which would become a liability in the event these insurance carriers are unable to meet the obligations under these contracts.

NOTE 2 - EQUITY IN CASH AND INVESTMENTS

There are no legal restrictions on the Council's investments or deposits. However, the Council has adopted as their investment policy the legal restrictions imposed by the Ohio Revised Code on certain political subdivisions.

Monies held by the Council are classified into three categories.

Active monies are monies determined to be necessary to meet current demands upon the Treasury. Active monies must be maintained either as cash in the Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are deposits that the Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Council can be deposited or invested in the following securities:

FULTON - HENRY COUNTIES COUNCIL  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Years Ended December 31, 2008 and 2007

NOTE 2 - EQUITY IN CASH AND INVESTMENTS, Continued

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Interim deposits in eligible institutions. Such deposits are to be awarded to the depository offering to pay the highest permissible rate of interest. The treasurer or the board is to determine the periods for which such deposits are to be made;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in 1. and 2. above and repurchase agreements secured by such obligations;
6. The Ohio Subdivision's Fund (STAR Ohio);
7. Commercial paper notes and bankers acceptances; and
8. Debt instruments of Ohio State and local governments.

Council policy requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Council, and that an investment must be purchased with the expectation that it will be held to maturity. Council policy limits investments in commercial paper and banker's acceptances to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily. Council policy limits the investment of interim and inactive monies to certificates of deposit with a term of one year and the expiration of the depository agreement, respectively.

Council policy requires that money market funds have the highest credit rating issued by at least one national rating service. Commercial paper must be rated at the highest classification by at least two national recognized rating services.

Council policy requires that depositories must collateralize deposits and that securities underlying term repurchase agreements must be delivered to the Council.



**FULTON - HENRY COUNTIES COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**Years Ended December 31, 2008 and 2007**

**NOTE 2 - EQUITY IN CASH AND INVESTMENTS, Continued**

**Depository Credit Risk**

The Council maintains its cash and cash equivalents in bank deposit accounts, which, at times, may exceed Federal Deposit Insurance Corporation limits. Such excess uninsured amounts aggregated \$-0- at both December 31, 2008 and 2007.

**Investments**

As of December 31, 2008 and 2007, the Council had the following investments, all maturing in two years or less:

<b>Investments - December 31, 2008</b>	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>
U. S. Treasury Obligations	\$ 50,862	\$ 50,357
U. S. Agency Obligations	100,100	101,578
Money Market Mutual Fund	<u>2,912,267</u>	<u>2,912,267</u>
	<u>\$3,063,229</u>	<u>\$3,064,202</u>

<b>Investments - December 31, 2007</b>	<b><u>Carrying Amount</u></b>	<b><u>Fair Value</u></b>
U. S. Treasury Obligations	\$ 50,861	\$ 50,922
U. S. Agency Obligations	101,255	99,954
Money Market Mutual Fund	<u>1,907,538</u>	<u>1,907,538</u>
	<u>\$2,059,654</u>	<u>\$2,058,414</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from interest rates, the Council's investment policy limits investment maturities to five years or less. Commercial paper must mature within 180 days, and repurchase agreements must mature within 30 days.

*Credit Risk:* The Council's investment policy limits investments to securities specifically authorized by the Ohio Revised Code. As of December 31, 2008 and 2007, the Council's investments consisted of Huntington Funds U.S. Treasury Money Market Fund, Federal Home Loan Mortgage Corporation ("FHLMC") and Federal Home Loan Bank ("FHLB") discount notes, and U.S. Treasury obligations. The Council's investment in Huntington Funds U.S. Treasury Money Market Fund was rated AAAM by Standard & Poor's. The investment in FHLMC discount notes was rated A-1+ by Standard & Poor's. The U.S. Treasury obligations are not considered subject to credit risk.

FULTON - HENRY COUNTIES COUNCIL  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
Years Ended December 31, 2008 and 2007

NOTE 2 - EQUITY IN CASH AND INVESTMENTS, Continued

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The entire balance of the Council's investment in FHLMC discount notes and U.S. Treasury obligations is uninsured, not registered in the name of the Council and held by the counterparty. The Council's investment in Huntington Funds U.S. Treasury Money Market Mutual Fund is not exposed to custodial credit risk because, as an open-end money-market mutual fund, its existence is not evidenced by securities that exist in physical or book-entry form. The Council has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 3 - RISK MANAGEMENT

The Council provides health and prescription drug insurance to employees of Fulton and Henry Counties, and dental insurance to Fulton County employees. The Council pays covered claims to service providers, and recovers these costs through actuarially determined, per-employee premiums. Following is a comparison of cash and investments to the actuarially-measured liability of both reported and unreported insured events and estimated future payments of claims and losses and related loss adjustments as of December 31:

	<u>2008</u>	<u>2007</u>
Cash and Investments	\$ 3,063,229	\$2,102,038
Actuarial Liabilities	\$ 711,572	\$ 647,613



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Fulton - Henry Counties Council  
660 North Perry Street  
P.O. Box 546  
Napoleon, Ohio 43545

We have audited the accompanying combined statements of net assets and activities – modified cash basis of Fulton - Henry Counties Council (the “Council”) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated December 23, 2009. Our opinion was qualified because the Council did not disclose certain claims information related to its public entity risk pool activities which is required by its basis of accounting. We also noted that the Council did not provide certain supplementary information required by its basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fulton - Henry Counties Council’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with its basis of accounting such that there is more than a

remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control. We consider Finding 2008 - 01 described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, Finding 2008 - 01, to be a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of and use of the Board of Directors, management and others within the Council, and is not intended to be and should not be used by anyone other than these specified parties.



December 23, 2009

FULTON - HENRY COUNTIES COUNCIL  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2008

Finding 2008 - 01

Material Weakness

Statement of Condition: The Council does not have the expertise to prepare annual financial statements and related footnotes in accordance with its basis of reporting.

Criteria: Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit (issued May 2006)*, requires us to communicate in writing when an organization does not have the expertise to prepare annual financial statements and related footnotes in accordance with its basis of reporting.

Effect of Condition: This condition could result in errors in the financial statements or notes thereto not being detected by management.

Cause of Condition: The Council does not employ an individual with the expertise necessary to prepare annual financial statements and the related footnotes.

Recommendation: We recommend that the Council consider obtaining the required skills and knowledge through means such as training of present personnel or adding knowledgeable personnel to its staff to prepare the financial statements.

Management's Response: Management does not feel that it is cost effective to employ personnel with the specialized knowledge necessary for the limited purpose of preparing its annual financial statements, including notes to the financial statements, in accordance with generally accepted accounting principles.

FULTON - HENRY COUNTIES COUNCIL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2008

Finding 2006-01

Material Weakness

Statement of Condition: The Council does not have the expertise to prepare annual financial statements and related footnotes in accordance with its basis of reporting.

Current Status: This finding has not been corrected and has been repeated as Finding 2008-01.



Mary Taylor, CPA  
Auditor of State

FULTON HENRY COUNTIES COUNCIL

FULTON 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  
FEBRUARY 25, 2010