



**VILLAGE OF FULTON
MORROW COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF FULTON
MORROW COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of 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, 2000 and December 31, 1999. 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 generally accepted auditing standards 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 generally accepted accounting principles.

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, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2001 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.

This report is intended solely for the information and use of 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.

JIM PETRO
Auditor of State

March 30, 2001

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**VILLAGE OF FULTON
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$953	\$1,688	\$2,531	\$5,172
Intergovernmental Receipts	16,361	8,554	171,790	196,705
Charges for Services	665	0	0	665
Earnings on Investments	375	1,631	0	2,006
Miscellaneous	3,030	0	0	3,030
	<u>21,384</u>	<u>11,873</u>	<u>174,321</u>	<u>207,578</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	3,070	424	0	3,494
General Government	15,831	7,500	0	23,331
Capital Outlay	0	0	197,886	197,886
Repayment of Debt	0	0	181,623	181,623
	<u>18,901</u>	<u>7,924</u>	<u>379,509</u>	<u>406,334</u>
Total Receipts Over/(Under) Disbursements	<u>2,483</u>	<u>3,949</u>	<u>(205,188)</u>	<u>(198,756)</u>
Other Financing Receipts/(Disbursements):				
Proceeds of Loan	0	0	181,623	181,623
	<u>0</u>	<u>0</u>	<u>181,623</u>	<u>181,623</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,483	3,949	(23,565)	(17,133)
Fund Cash Balances January 1, 2000	<u>16,389</u>	<u>66,552</u>	<u>33,789</u>	<u>116,730</u>
Fund Cash Balances, December 31, 2000	<u>\$18,872</u>	<u>\$70,501</u>	<u>\$10,224</u>	<u>\$99,597</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
ALL GOVERNMENTAL FUND TYPES
DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$705	\$1,910	\$2,754	\$5,369
Intergovernmental Receipts	15,628	8,352	269	24,249
Charges for Services	705	0	0	705
Earnings on Investments	265	1,573	0	1,838
Miscellaneous	5,000	0	552	5,552
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	22,303	11,835	3,575	37,713
Cash Disbursements:				
Current:				
Security of Persons and Property	3,332	765	0	4,097
General Government	12,681	2,339	0	15,020
Capital Outlay	0	0	101,613	101,613
	<hr/>	<hr/>	<hr/>	<hr/>
Total Disbursements	16,013	3,104	101,613	120,730
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	6,290	8,731	(98,038)	(83,017)
Other Financing Receipts/(Disbursements):				
Sale of Bonds or Notes	0	0	131,257	131,257
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	0	0	131,257	131,257
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	6,290	8,731	33,219	48,240
Fund Cash Balances January 1, 1999	<hr/>	<hr/>	<hr/>	<hr/>
	10,099	57,821	570	68,490
Fund Cash Balances, December 31, 1999	<hr/> \$16,389	<hr/> \$66,552	<hr/> \$33,789	<hr/> \$116,730

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, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Fulton, Morrow County, (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 governmental services.

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 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. Capital Project Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project fund:

Sewer Construction Fund - This fund receives loan proceeds and grants for the purpose of constructing a wastewater treatment facility.

**VILLAGE OF FULTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(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 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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2000 and 1999 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>2000</u>	<u>1999</u>
Demand deposits	\$ 99,597	\$ 116,730
Total deposits	<u>99,597</u>	<u>116,730</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF FULTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 follows:

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 21,860	\$ 21,384	\$ (476)
Special Revenue	12,267	11,873	(394)
Capital Projects	184,780	355,944	171,164
Total	<u>\$ 218,907</u>	<u>\$ 389,201</u>	<u>\$ 170,294</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 31,140	\$ 18,901	\$ 12,239
Special Revenue	69,000	7,924	61,076
Capital Projects	218,316	379,509	(161,193)
Total	<u>\$ 318,456</u>	<u>\$ 406,334</u>	<u>\$ (87,878)</u>

1999 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 19,092	\$ 22,303	\$ 3,211
Special Revenue	12,271	11,835	(436)
Capital Projects	33,436	134,832	101,396
Total	<u>\$ 64,799</u>	<u>\$ 168,970</u>	<u>\$ 104,171</u>

**VILLAGE OF FULTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 26,094	\$ 16,013	\$ 10,081
Special Revenue	65,750	3,104	62,646
Capital Projects	4,027	101,613	(97,586)
Total	<u>\$ 95,871</u>	<u>\$ 120,730</u>	<u>\$ (24,859)</u>

Expenditures exceeded appropriations in the Sewer Construction fund by \$ 97,586 in 1999 and \$ 161,193 in 2000, in violation of State law.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 payment, 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, 2000 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Rural Development Authority	<u>\$ 181,623</u>	0.00%
Total	<u>\$ 181,623</u>	

The USDA Rural Development Authority has authorized a loan up to \$ 716,000 for the construction of a Wastewater Treatment Liftstation. As of 12/31/00, the Village has drawn down \$ 181,623. The Loan payments will not be determined until the project is complete. Upon completion, repayment guidelines will be established.

**VILLAGE OF FULTON
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

6. WASTEWATER TREATMENT LIFTSTATION

The Village is currently constructing a Wastewater treatment liftstation. The Village has secured state and federal grants in the amount of \$ 1,680,000 for this project. In addition, the USDA Rural Development Authority has approved a loan in the amount of up to \$ 716,000. The estimated cost of this project is 2.3 million dollars.

7. RETIREMENT SYSTEMS

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 2000 and 1999, members of PERS contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries in 1999 and 10.84% in 2000 . The Village has paid all contributions required through December 31, 2000.

8. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Comprehensive property

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**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 Members of 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, 2000 and December 31, 1999, and have issued our report thereon dated March 30, 2001. We conducted our audit in accordance with generally accepted auditing standards 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30659-001 and 2000-30659-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 30, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village's internal control over financial reporting in order 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 30, 2001.

Village of Fulton
Morrow County
Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

March 30, 2001

**VILLAGE OF FULTON
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30659-001

Ohio Rev. Code Section 5705.41(D) states 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. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides an exception to the above requirement:

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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Center may authorize the issuance of a warrant 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 one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Trustees.

Eighty percent of disbursements tested were not certified by the fiscal officer until the time of payment. The fiscal officer did not issue "Then and Now Certificates" for these payments.

FINDING NUMBER 2000-30659-002

Ohio Revised Code section 5705.41(B) states that no taxing authority shall make any expenditure of money unless it has been properly appropriated.

Expenditures exceeded appropriations in the Village's Sewer Construction fund by \$97,586 in 1999 and \$ 161,193 in 2000. We recommend the Clerk closely monitor the appropriations to ensure that expenditures do not exceed appropriations and request Council approval to increase appropriations if deemed necessary.



STATE OF OHIO
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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
MAY 1, 2001**