



Mary Taylor, CPA  
Auditor of State



VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY

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Mary Taylor, CPA  
Auditor of State

Village of Fultonham  
Muskingum County  
7740 Old Town Road  
Fultonham, Ohio 43738

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

February 5, 2008

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Fultonham  
Muskingum County  
7740 Old Town Road  
Fultonham, Ohio 43738

To the Village Council:

We have audited the accompanying financial statements of the Village of Fultonham, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e., major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Fultonham, Muskingum County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 5, 2008



**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$1,951		\$1,951
Intergovernmental	11,827	\$84,404	96,231
Earnings on Investments	2,503	61	2,564
Miscellaneous	432	20	452
	<u>16,713</u>	<u>84,485</u>	<u>101,198</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,455		1,455
Basic Utility Service	229		229
Transportation	18,114	9,901	28,015
General Government	7,145		7,145
Capital Outlay		79,900	79,900
	<u>26,943</u>	<u>89,801</u>	<u>116,744</u>
Total Cash Receipts Over/(Under) Cash Disbursements	(10,230)	(5,316)	(15,546)
Fund Cash Balances, January 1	76,012	17,068	93,080
<b>Fund Cash Balances, December 31</b>	<b><u>\$65,782</u></b>	<b><u>\$11,752</u></b>	<b><u>\$77,534</u></b>

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

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$2,079		\$2,079
Intergovernmental	11,774	\$3,484	15,258
Earnings on Investments	1,227	93	1,320
Miscellaneous	65	158	223
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	15,145	3,735	18,880
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,512		1,512
Basic Utility Service	225		225
Transportation	6,125	2,815	8,940
General Government	8,981	2,513	11,494
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	16,843	5,328	22,171
Total Cash Receipts Over/(Under) Cash Disbursements	(1,698)	(1,593)	(3,291)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	77,710	18,661	96,371
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$76,012</b> <hr/>	<hr/> <b>\$17,068</b> <hr/>	<hr/> <b>\$93,080</b> <hr/>

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

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fultonham, Muskingum County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street lighting and street maintenance.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

**C. Cash 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.

**D. 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Fund**

Special revenue funds account for proceeds from specific sources (other than from private-purpose 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 license tax money for constructing, maintaining, and repairing Village streets.

VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)

1. **Summary of Significant Accounting Policies (Continued)**

E. **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The 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 individual 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 2006 and 2005 budgetary activity appears in Note 3.

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.

2. **Equity in Pooled Cash**

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$77,534	\$93,080

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,970	\$16,713	\$2,743
Special Revenue	2,500	84,485	81,985
Total	\$16,470	\$101,198	\$84,728

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$89,958	\$26,943	\$63,015
Special Revenue	17,068	89,801	(72,733)
Total	\$107,026	\$116,744	(\$9,718)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,233	\$15,145	\$912
Special Revenue	2,500	3,735	1,235
Total	\$16,733	\$18,880	\$2,147

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$91,943	\$16,843	\$75,100
Special Revenue	21,161	5,328	15,833
Total	\$113,104	\$22,171	\$90,933

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority within an account (the legal level of budgetary control) in each the General Fund and the Street Construction, Maintenance, and Repair Fund by \$16,614 and \$3,610, respectively, for the year ended December 31, 2006.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**4. 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.

Public utilities are also taxed on personal and real property located within the Village.

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. Retirement System**

Full time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**6. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Commercial Property;
- Business personal property;
- Buildings; and
- Officials' bonds.

The Village is uninsured for the following risks:

- General liability; and
- Errors and omissions.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Fultonham  
Muskingum County  
7740 Old Town Road  
Fultonham, Ohio 43738

To the Village Council:

We have audited the financial statements of the Village of Fultonham, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2005 and have issued our report thereon dated February 5, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village'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 a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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 material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated February 5, 2008.

### **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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 5, 2008.

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

We intend this report solely for the information and use of the management and Village Council. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 5, 2008



**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Finding for Recovery**

Village of Fultonham Ordinance No. 2002-2, adopted November 12, 2002, set the annual compensation for Village Council members at \$300. Connie Turner served as a Council member for the term January 1, 2004 through December 31, 2007. According to the Village's payroll ledger presented for audit, Connie Turner was compensated \$400, less payroll deductions, during fiscal year 2005. Betty Combs, serving as Clerk-Treasurer, issued the payments to Connie Turner.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property (1980 OP. Atty Gen. No. 80-074).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Connie Turner and Betty Combs, and her surety, Ohio Casualty Group, jointly and severally, in the amount of \$100, and in favor of the Village of Fultonham General Fund. Betty Combs and her surety shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Connie Turner.

**Officials' Response**

On February 5, 2008, Connie Turner indicated her intent to repay the finding for recovery.

**FINDING NUMBER 2006-002**

**Noncompliance Citation**

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Rev. Code.

VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)

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

FINDING NUMBER 2006-002 (Continued)

Noncompliance Citation – Ohio Rev. Code § 5705.41(D)(1) (Continued)

1. **“Then and Now” Certificates** – If the fiscal officer (Clerk-Treasurer) can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority (Village Council) can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates not exceeding an amount established by resolution or ordinance of Village Council against any specific line item account not extending beyond the end of the fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Blanket certificates cannot be issued unless there has been an amount approved by Village Council for the blanket.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to incurring a purchase commitment for 19 expenditures made during 2005 and 18 expenditures made during 2006 expenditures out of the 48 expenditures we tested, and there was no evidence that the Clerk-Treasurer followed the aforementioned exceptions.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend the Clerk-Treasurer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

**Officials’ Response**

Village officials have now started using the services of the Auditor of State’s Uniform Accounting Network which should help to assure compliance in this area.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-003**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision or taxing authority from expending money unless it has been appropriated.

Although total fund budgetary expenditures did not exceed appropriations in the General Fund and the Street Construction, Maintenance and Repair Fund during the year ended December 31, 2006, expenditures exceeded appropriations at the legal level of control for each of these funds, in the following accounts, contrary to Ohio law:

<b>Account No.</b>	<b>Appropriation Authority</b>	<b>Disbursements</b>	<b>Variance</b>
A1-6-D-230	\$1,500	\$18,114	(\$16,614)
B1-6-B-230	\$2,000	\$5,610	(\$3,610)

The practice of allowing expenditures to exceed appropriations could result in deficit spending within these funds.

The Village Clerk-Treasurer should deny payment requests exceeding appropriations, as required by Ohio Rev. Code § 5705.41(D). We recommend the Clerk-Treasurer and Village Council compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, then the Council should take the necessary steps to adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations at the legal level of control.

**Officials' Response**

The Village's fiscal officer now understands the noncompliance and believes use of the UAN system should help assure compliance in this area.

**FINDING NUMBER 2006-004**

**Noncompliance Citation**

Ohio Rev. Code § 731.17(A)(4) states that each ordinance or resolution shall be passed by a vote of at least a majority of all the members of the legislative authority. In addition, Ohio Rev. Code § 733.24 states the mayor of a village shall be the president of the legislative authority and shall preside at all regular and special meetings thereof, but shall have no vote except in the case of a tie.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-004 (Continued)**

**Noncompliance Citation - Ohio Rev. Code § 731.17(A)(4) (Continued)**

During the audit period, the Village adopted Resolution 2006-04 in regards to the repayment of findings for recovery; however, the resolution was not legally adopted. Adoption of this resolution included a vote of the Mayor and Clerk-Treasurer who are not authorized to vote on such an action by the Ohio Revised Code. In addition, two Council members left the Council meeting prior to this resolution being adopted. Therefore, at the time of adoption, only two Council members were present which does not represent a majority of all members of the legislative authority necessary in order to conduct a meeting.

We recommend Village Council properly adopt a new resolution to legally enact what was intended to be enacted by Resolution 2006-004, if the contents of Resolution 2006-004 still reflect Council's intentions. In addition, we recommend that the official business of the Village Council only be conducted when a majority of the Village Council is present. The Mayor and Clerk-Treasurer should not be afforded a vote on Village actions, unless in the case of the Mayor, the vote of Council is a tie.

**Officials' Response**

Village Council adopted Resolution #2008-02 in order to legally enact the provisions of Resolution #2006-004.

**FINDING NUMBER 2006-005**

**Significant Deficiency**

Auditor of State Bulletin 2000-008 requires that when a local government enters into an on-behalf-of program agreement with another local government, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made. Local governments are required to account for and budget the related revenues and expenditures to the extent the local government has received benefit from the program. Each local government is then required to record a receipt and expenditure equal to the amounts disbursed by on-behalf-of the local government directly to the vendor.

During 2006, the Village received the benefit of a CDBG project administered by Muskingum County that was disbursed directly from the County to the applicable contractors. The cash value of the benefit under this program was not recorded by the Village.

This resulted in actual cash receipts and disbursements being understated by \$79,900 on the Village's financial reports. An adjustment was agreed to by Village management and is reflected in the accompanying financial statements.

We recommend the Village record the cash value benefit of these types of programs, when the Village has applied or entered into agreements for these sources of funds, as memorandum receipts and disbursements, in the year "on-behalf-of" disbursements are made.

**Officials' Response**

Village officials believe the use of the UAN system will help them improve in this area.

**VILLAGE OF FULTONHAM  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	A finding for recovery was issued against Janet Paxson for overcompensation, contrary to Ohio Rev. Code Section 731.13, in the amount of \$1,296.33, to the credit of the General Fund.	Partially Corrected.	The finding is currently in the process of repayment. As of December 31, 2006, \$795.26 was still outstanding.
2004-002	A finding for recovery was issued against Peggy Milatovich for overcompensation, contrary to Ohio Rev. Code Section 731.13, in the amount of \$2,387.75, to the credit of the General Fund.	Partially Corrected.	The finding is currently in the process of repayment. As of December 31, 2006, \$1,187.75 was still outstanding.
2004-003	All obligations of the Township were not properly encumbered prior to commitment contrary to Ohio Rev. Code Section 5705.41(D).	No.	Repeated in the current year audit as finding number 2006-002.
2004-004	The president pro tempore of Council was not appointed as mayor to fill a vacancy as required by Ohio Rev. Code Section 731.43(A)(2).	Yes.	





Mary Taylor, CPA  
Auditor of State

VILLAGE OF FULTONHAM

MUSKINGUM 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  
MARCH 11, 2008