



Dave Yost • Auditor of State

VILLAGE OF FULTONHAM
MUSKINGUM COUNTY
DECEMBER 31, 2016 AND 2015

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Fultonham
Muskingum County
P.O. Box 285
Fultonham, Ohio 43738

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fultonham, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Fultonham, Muskingum County, Ohio, as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Matter

The Village has suffered recurring losses from operations and has a fund cash balance deficit of \$877 in the General Fund as of December 31, 2016. Based solely on inquiries and scanning of unaudited fund cash balances as of October 23, 2017, the Village has enacted measures that have resulted in a positive fund cash balance in the General Fund. The notes to the financial statements do not disclose this matter; however it does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

October 23, 2017

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**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$1,701	\$0	\$1,701
Intergovernmental	9,889	3,498	13,387
Miscellaneous	106	0	106
<i>Total Cash Receipts</i>	<u>11,696</u>	<u>3,498</u>	<u>15,194</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	2,092	2,092
General Government	11,444	0	11,444
<i>Total Cash Disbursements</i>	<u>11,444</u>	<u>2,092</u>	<u>13,536</u>
<i>Excess of Receipts over Disbursements</i>	<u>252</u>	<u>1,406</u>	<u>1,658</u>
Other Financing Receipts (Disbursements)			
Other Financing Uses	(2,026)	0	(2,026)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,026)</u>	<u>0</u>	<u>(2,026)</u>
<i>Net Change in Fund Cash Balances</i>	(1,774)	1,406	(368)
<i>Fund Cash Balances, January 1</i>	<u>897</u>	<u>5,994</u>	<u>6,891</u>
Fund Cash Balances, December 31			
Restricted	0	7,400	7,400
Unassigned	(877)	0	(877)
<i>Fund Cash Balances, December 31</i>	<u>(\$877)</u>	<u>\$7,400</u>	<u>\$6,523</u>

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

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Village of Fultonham, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Village of Fultonham, Muskingum County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction Maintenance and Repair Fund: The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Village of Fultonham, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Encumbrances: The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2016 budgetary activity appears in Note 4.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable: The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted: Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed: Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned: Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Fultonham, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - Compliance

Contrary to Ohio law, the Village did not adopt annual appropriation measures. Additionally, contrary to Ohio law the Village did not certify the total amount from all sources for expenditures to the County Auditor, and therefore, the County Auditor was unable to certify total estimated resources to the Village.

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$11,696	\$11,696
Special Revenue	0	3,498	3,498
Total	\$0	\$15,194	\$15,194

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$13,470	(\$13,470)
Special Revenue	0	2,092	(2,092)
Total	\$0	\$15,562	(\$15,562)

Note 5 – Deposits

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

	2016
Demand deposits	\$5,440
Other time deposits	1,083
Total deposits	\$6,523

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

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.

Village of Fultonham, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 – Taxes (Continued)

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.

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

Note 7 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Social Security

The seven (7) Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has not paid all contributions required through December 31, 2016.

Note 9 - Subsequent Events

On March 28, 2017, the former Fiscal Officer repaid \$1,048 to the Village which was deposited to the credit of the Village's General Fund.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$1,916	\$0	\$1,916
Intergovernmental	8,104	3,700	11,804
Miscellaneous	16	218	234
<i>Total Cash Receipts</i>	<u>10,036</u>	<u>3,918</u>	<u>13,954</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	2,056	2,056
Transportation	0	2,000	2,000
General Government	10,036	402	10,438
<i>Total Cash Disbursements</i>	<u>10,036</u>	<u>4,458</u>	<u>14,494</u>
<i>Net Change in Fund Cash Balances</i>	0	(540)	(540)
<i>Fund Cash Balances, January 1</i>	<u>897</u>	<u>6,534</u>	<u>7,431</u>
Fund Cash Balances, December 31			
Restricted	0	5,994	5,994
Unassigned	897	0	897
<i>Fund Cash Balances, December 31</i>	<u><u>\$897</u></u>	<u><u>\$5,994</u></u>	<u><u>\$6,891</u></u>

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

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Village of Fultonham, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Village of Fultonham, Muskingum County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general governmental services.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

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Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction Maintenance and Repair Fund: The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the function level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

Village of Fultonham, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 2 - Summary of Significant Accounting Policies

Encumbrances: The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2015 budgetary activity appears in Note 4.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable: The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted: Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed: Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned: Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

Contrary to Ohio law, the Village did not adopt annual appropriation measures.

Village of Fultonham, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,688	\$10,036	(\$24,652)
Special Revenue	9,097	3,918	(5,179)
Total	\$43,785	\$13,954	(\$29,831)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$10,036	(\$10,036)
Special Revenue	0	4,458	(4,458)
Total	\$0	\$14,494	(\$14,494)

Note 5 – Deposits and Investments

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

Demand deposits	2015 \$5,688
Other time deposits	1,203
Total	\$6,891

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Note 6 – Taxes

Property Taxes

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.

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

Village of Fultonham, Ohio
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 7 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 8 - Defined Benefit Pension Plans

Social Security

The seven (7) Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has not paid all contributions required through December 31, 2015.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Fultonham
Muskingum County
P.O. Box 285
Fultonham, Ohio 43738

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Fultonham, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2017, wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2016-001 through 2016-003 and 2016-006 through 2016-008 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2016-003 through 2016-005, and 2016-008.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

October 23, 2017

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. In addition, a well-designed system of internal control will include monitoring of financial reports and information by management in order to compensate for any lack of segregation of duties. This should include reviewing all disbursements to ensure expenditures are proper and reviewing bank reconciliations and bank statement to ensure information is accurate.

The Village Fiscal Officer was responsible for disbursing and recording expenditures of the Village. During 2016 the Village discovered former Fiscal Officer, Lisa Degarmo, was using blank checks signed by the former Mayor to write and cash checks to herself, as well as using the Village's debit card for personal use. Through investigations by the Village's management and Muskingum County Sheriff's Office, the Village identified, from the period of August through September 2016, the following:

- Six checks written to and cashed by Lisa Degarmo totaling \$1,610. A portion of one of these checks was utilized to purchase a cashier's check in the amount of \$1,000.
- 15 debit card transactions for personal use totaling \$416.

On March 28, 2017, the Village received and deposited a restitution payment from the Muskingum County Clerk of Common Pleas Court, in the amount of \$1,048, as restitution from the former Fiscal Officer, resulting in no remaining balance. In addition, a stop payment was previously issued for the cashier's check with the money being returned to the Village's account.

We also noted the following Village expenditures in 2016 and 2015 that were not proper:

- In each year, the Village paid \$120 in bank fees on the Village's savings account (monthly fee of \$10).
- The Village paid \$64 in 2016 and \$277 in 2015 in fees to the Ohio Department of Job and Family Services for failing to file Quarterly Unemployment Compensation forms.
- It was also noted that the Village paid late fees on utilities in the amount of \$58 in 2016 and \$29 in 2015.

The Village should develop and implement a formal policy regarding Village disbursements. The policy should prohibit blank checks from being issued. In addition, the policy should require the Village management to review bank reconciliations and bank statements on a periodic basis for evidence of unauthorized transactions. These reviews should be documented on the appropriate reports and maintained on file as evidence that this review has been performed.

FINDING NUMBER 2016-002

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002 (Continued)

Material Weakness (Continued)

The Ohio Village Officer's Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or intergovernmental, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Various adjustments were made to the Village's financial statements for 2016 and 2015.

For the fiscal year ending December 31, 2016, the following adjustments were noted:

- Payroll expenditures, totaling \$1,440, were improperly classified in the General Fund as Security of Persons and Property rather than General Government.
- Payroll expenditures, totaling \$700, were improperly classified in the Street Construction, Maintenance and Repair Fund as Transportation expenditures rather than General Government expenditures within the General Fund.
- Nonpayroll expenditures, totaling \$542, were improperly posted as Transportation expenditures to the Street Construction, Maintenance and Repair Fund rather than to the General Fund as General Government expenditures.
- Nonpayroll expenditures, totaling \$80, were improperly classified in the General Fund as Transportation rather than General Government.
- Nonpayroll expenditures, totaling \$4,565, were improperly classified in the General Fund as Basic Utility Services rather than as General Government (\$3,015) in the General Fund and Security of Persons (\$1,550) and Property in the Street Construction, Maintenance and Repair Fund
- Nonpayroll expenditures, totaling \$893, were improperly classified in the General Fund as Security of Persons and Property rather than General Government.
- Nonpayroll expenditures, totaling \$1,100 and \$510, were reported in the General Fund as General Government and Security of Persons and Property, respectively, and \$416 was reported in the Street Construction, Maintenance and Repair Fund as Transportation expenses rather than \$2,026 being reflected Other Financing Uses in the General Fund.
- Receipts, totaling \$399, were improperly classified in the Street Construction, Maintenance and Repair Fund as Property and Other Taxes rather than Intergovernmental.
- Receipts, totaling \$333, were improperly classified in the General Fund rather than the Street Construction, Maintenance and Repair Fund.

For the fiscal year ending December 31, 2015, the following adjustments were noted:

- Receipts, totaling \$1,325 were improperly classified in the General Fund as Intergovernmental rather than as Property and Other Taxes (\$278) in the General Fund and Intergovernmental (\$1,047) in the Street Construction, Maintenance and Repair Fund.
- Non payroll expenditures, totaling \$4,126 and \$1,711, were incorrectly reported as Basic Utility Services and Security of Persons and Property expenditures, respectively, within the General Fund and expenditures, totaling \$1,273, also were incorrectly reported as Transportation expenditures in the Street Construction, Maintenance and Repair Fund. These expenditures should have been reported as General Government (\$4,652) expenditures in the General Fund and General Government (\$402) and Security of Persons and Property (\$2,056) in the Street Construction, Maintenance and Repair Fund.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-002 (Continued)

Material Weakness (Continued)

As a result, several entries, with which the Village management agreed, were made and reflected in the accompanying financial statements, and, where applicable, the accounting records, in order to accurately reflect the Village's financial activity.

Also, we identified additional unadjusted misstatements ranging from \$196 to \$340 for 2016 and from \$59 to \$81 for 2015 that we have brought to the Village's attention.

Failure to properly classify receipts and disbursements as to the appropriate classification could result in the financial statements being misleading.

The Fiscal Officer should refer to the Ohio Village Officer's Handbook for proper classification and take additional care in posting transactions to the Village's ledgers and annual financial report in order to ensure the Village's year-end financial statements reflect the appropriate sources and uses of the Village's receipts and disbursements.

FINDING NUMBER 2016-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1. In addition, Ohio Rev. Code § 5705.40 states any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. Furthermore, Ohio Rev. Code § 5705.41(B) states no subdivision is to expend money unless it has been appropriated.

No evidence was noted of temporary or permanent annual appropriations being adopted for 2016. The Village filed its permanent appropriations with the County Auditor for 2015; however, no evidence was noted in the Village's minutes of these appropriations being approved by the Council. This resulted in all expenditures exceeding legally adopted appropriations for each year. The failure to properly approve Village appropriations and subsequent amendments could result in deficit fund balances or monies being spent on purposes other than those intended by the Council.

The Village Council should adopt annual appropriation measures to meet the ordinary expenses of the Village each year. The approval of temporary or permanent appropriations should also be documented within the Village minutes. In addition, the Fiscal Officer should file the approved appropriation measure with the County Budget Commission.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-004

Noncompliance

Ohio Rev. Code § 5705.15 states that in addition to the transfers authorized in Ohio Rev. Code § 5705.14 the taxing authority of any political subdivision may, in the manner provided in this section and Ohio Rev. Code § 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.

The Village transferred \$2,122 from the Street Construction, Maintenance and Repair Fund (a Special Revenue Fund) to the General Fund. Transferring restricted funds to the General Fund could result in the improper expenditure of the restricted funds.

As a result, audit adjustments, with which the Village management agreed, were made and reflected in the accompanying financial statements and the accounting records.

The Village should review the compliance requirements before transferring funds to ensure the transfer is allowable.

FINDING NUMBER 2016-005

Noncompliance

26 U.S.C. § 3102(a)(1) requires every employer making payment of wages to deduct and withhold a tax determined in accordance with tables or computational procedures prescribed by the Secretary of the Treasury.

During 2016 and 2015, the Village withheld federal taxes, Medicare and Social Security from employees' pay, but the withholdings were not remitted to the Internal Revenue Service. In addition, the employer share of Medicare and Social Security was not remitted in 2016 or 2015. We noted the Village should have remitted \$914 in 2016 and \$1,114 in 2015 to the Internal Revenue Service. In addition, we noted \$2,400 was paid to the Internal Revenue Service in the last quarter of 2016 based upon our review of the Village's cancelled checks; however, without additional supporting documentation we could not verify what period(s) this payment should be attributed to. Also, we noted a copy of Internal Revenue Service Form No. 4666 on file with the Village indicating \$4,110, including \$650 in penalties, were owed by the Village for 2014 and 2015; however, we noted no evidence of this amount being paid during the period under audit.

The Fiscal Officer should remit the proper federal taxes, Medicare and Social Security promptly to the Internal Revenue Service each period, as required, along with the employer share of Medicare and Social Security. In addition, the Village should consult with the Internal Revenue Service to reconcile any differences between amounts owed and paid.

This matter will be referred to the Internal Revenue Service for whatever action is deemed necessary.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-006

Material Weakness

Management is responsible for designing and implementing internal control policies and procedures to reasonably ensure specific financial objectives will be achieved. A sound internal control structure requires documented procedures to provide management with reasonable assurance that recorded transactions occurred and are not fictitious. This includes maintaining sufficient supporting documentation, such as invoices and vouchers, for all non-payroll disbursements. This also includes maintaining sufficient supporting documentation to support the classification and accuracy of receipts reported by the Village.

We noted three payments made by the Village in 2016, ranging from \$100 to \$166, for utilities and a Village official's bond which contained incomplete documentation to support the amounts paid. In addition, for 2015, we noted two payments, totaling \$174, which also contained incomplete supporting documentation. Furthermore, we noted one payment of \$200 in 2015 for a Village official's bond and four payments in 2016 for utilities, ranging from \$110 to \$289, in which amount paid did not agree to the applicable supporting documentation. We were able to apply alternative audit procedures to gain assurances over the reasonableness of the amounts paid.

In addition, the Village was unable to provide supporting documentation for a 2015 receipt totaling \$218 that was posted to the Street Construction, Maintenance and Repair Fund for the refund of workers' compensation.

Failure to maintain appropriate supporting documentation could allow errors and/or irregularities to occur and remain undetected.

The Fiscal Officer should maintain supporting documentation for each non-payroll disbursement including a voucher with the original invoice attached, and any other supporting documentation applicable to the disbursement. Vouchers should not be approved by the Village Council unless the original invoice is attached in order to ensure amounts paid agree to the applicable supporting documentation and that supporting documentation is present. In addition, the Fiscal Officer should maintain supporting documentation for all transactions in order to provide evidence that receipts and expenditures are accurately posted to the Village's records and appropriately classified on the Village's financial statements.

FINDING NUMBER 2016-007

Material Weakness

All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the UAN system. The UAN system should be utilized to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

We found estimated revenue approved by the Budget Commission did not agree to the amounts posted to the UAN accounting system as follows:

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-007 (Continued)

Material Weakness (Continued)

<u>Fund</u>	<u>Amount Per Final Amended Certificate</u>	<u>Amount Posted to Accounting System</u>	<u>Variance</u>
For the year ending December 31, 2015:			
General Fund	\$34,688	\$35,958	\$1,270
Street Maintenance Fund	9,097	9,300	203

In addition, we noted no evidence of any certificates being obtained from the Budget Commission for 2016; however, we noted the Village posted estimated receipts of \$14,650 and \$3,166 to the General Fund and Street Construction Maintenance and Repair Fund, respectively.

The Village also failed to certify the total amount from all sources available for expenditures to the County Auditor, therefore, the County Auditor was unable to certify total estimated resources to the Village. In addition, as discussed in Finding Number 2016-003, we did not note evidence of the Village's approval of appropriations for 2016 or 2015 in the Village's minutes; however, we noted appropriations were posted to the Village's accounting system.

The Village's Fiscal Officer should accurately post to the accounting system appropriations as approved by the Council and estimated revenue as approved by the Budget Commission. Periodically, the Fiscal Officer should compare these approved amounts to amounts posted in the accounting system to ensure agreement.

FINDING NUMBER 2016-008

Noncompliance and Material Weakness

Fultonham Resolution 2008-05 was adopted by the Village Council on March 18, 2008, to set up and establish a "petty cash" fund in the amount of \$500 to be kept by the Village Clerk-Treasurer for purchases that fall within the "best judgment rule," such as purchases that need made prior to the next regularly scheduled monthly Council meeting. The resolution states that all purchases must be documented by receipt and said receipts should be kept by the Village's Clerk-Treasurer with the petty cash fund for audit or review purposes. The resolution also stated that the Fiscal Officer should present an oral petty cash report on the identity and number of purchases, prior to the Council meeting which are to be substantiated with receipts.

We noted the Village had a petty cash box at December 31, 2016 that included \$27. No receipts were included in the petty cash box to substantiate the amount spent from the Village's petty cash. There was no reference in the Village Council minutes stating that an oral report was given.

Failure to appropriately maintain and reconcile supporting documentation to petty cash balances could result in monies not be appropriately accounted for. Failure of the Village Council to properly monitor petty cash could result in errors or irregularities occurring and remaining undetected.

The Village Council should establish a formal internal policy which specifies the maximum amount of petty cash which may be placed in the account, the process for replenishing the account, and the personnel authorized to draw monies from the account. In addition, we recommend that supporting documentation be maintained and reconciled to the amount of petty cash on hand.

**VILLAGE OF FULTONHAM
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2016-008 (Continued)

Noncompliance and Material Weakness (Continued)

Evidence this reconciliation was performed should be reviewed by the Village Council and maintained on file. In addition, the reconciliation should be presented monthly for review to the Village Council. Furthermore, designated members of Council should periodically count the amount of petty cash on hand to ensure these monies are appropriately accounted for and the reconciliation of these monies is accurate.

Official's Response: We did not receive a response from Officials to the Findings reported above.

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Dave Yost • 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
NOVEMBER 9, 2017