ALGER & ASSOCIATES, LLC

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY, OHIO

REGULAR AUDIT

For The Years
Ended December 31, 2009–2008

Mary Taylor, CPA
Auditor of State

Village Council
Village of Fredericksburg
118 North Mill Street
Fredericksburg, Ohio 44627

We have reviewed the *Independent Accountants' Report* of the Village of Fredericksburg, Wayne County, prepared by Alger and Associates, LLC, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Fredericksburg is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 21, 2010

This Page is Intentionally Left Blank.

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK.

ALGER & ASSOCIATES, LLC
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Village of Fredericksburg
Wayne County
118 North Mill Street
Fredericksburg, OH 44627

To the Village Council:

We have audited the accompanying financial statements of the Village of Fredericksburg, Wayne County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

6927 Burgundy Ave. N.W.
North Canton, OH 44720
(330) 350-2553

542 Ablemarle Circle
Delaware, OH 43015
(740) 816-2961

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 Fredericksburg, Wayne County, as of December 31, 2009 and 2008, 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 June 7, 2010, 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.

Alger & Associates, LLC
June 7, 2010

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009

	Governmental Fund Types		
	General Fund	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	$27,130	$26,059	$53,189
Intergovernmental	27,771	51,136	78,907
Charges for Services	5,500	0	5,500
Miscellaneous	9,785	0	9,785
Total Cash Receipts	70,186	77,195	147,381
Cash Disbursements:			
Current:			
Security of Persons and Property	10,629	19,155	29,784
Public Health Services	1,571	0	1,571
Leisure Time Activities	1,215	0	1,215
Transportation	0	86,679	86,679
General Government	36,690	0	36,690
Capital Outlay	0	7,357	7,357
Total Cash Disbursements	50,105	113,191	163,296
Total Receipts Over/(Under) Disbursements	20,081	(35,996)	(15,915)
Fund Cash Balances, January 1	8,849	89,086	97,935
Fund Cash Balances, December 31	**$28,930**	**$53,090**	**$82,020**

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

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	$163,799
Miscellaneous	800
Total Operating Cash Receipts	164,599
Operating Cash Disbursements:	
Personal Services	39,486
Contractual Services	10,502
Supplies and Materials	32,143
Capital Outlay	582,591
Total Operating Cash Disbursements	664,722
Operating Income/(Loss)	(500,123)
Non-Operating Cash Receipts:	
Intergovernmental	378,871
Other Debt Proceeds	218,732
Total Non-Operating Cash Receipts	597,603
Non-Operating Cash Disbursements:	
Redemption of Principal	57,808
Interest and Other Fiscal Charges	26,486
Total Non-Operating Cash Disbursements	84,294
Net Receipts Over/(Under) Disbursements	13,186
Fund Cash Balances, January 1	145,178
Fund Cash Balances, December 31	**$158,364**

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

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Governmental Fund Types		
	General Fund	**Special Revenue Fund**	**Totals (Memorandum Only)**
Cash Receipts:			
Property and Local Taxes	$26,682	$27,830	$54,512
Intergovernmental	16,228	32,905	49,133
Charges for Services	6,000	0	6,000
Miscellaneous	6,306	0	6,306
Total Cash Receipts	55,216	60,735	115,951
Cash Disbursements:			
Current:			
Security of Persons and Property	36,409	25,615	62,024
Public Health Services	1,592	0	1,592
Leisure Time Activities	996	0	996
Transportation		31,571	31,571
General Government	30,570	9,694	40,264
Total Cash Disbursements	69,567	66,880	136,447
Total Receipts (Under) Disbursements	(14,351)	(6,145)	(20,496)
Fund Cash Balances, January 1 - (See Note 2)	23,200	95,231	118,431
Fund Cash Balances, December 31	**$8,849**	**$89,086**	**$97,935**

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

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts:	
Charges for Services	$167,144
Miscellaneous	49,271
Total Operating Cash Receipts	216,415
Operating Cash Disbursements:	
Personal Services	31,697
Contractual Services	10,447
Supplies and Materials	30,749
Capital Outlay	27,488
Total Operating Cash Disbursements	100,381
Operating Income	116,034
Non-Operating Cash Disbursements:	
Redemption of Principal	55,498
Interest and Other Fiscal Charges	32,096
Total Non-Operating Cash Disbursements	87,594
Net Receipts Over Disbursements	28,440
Fund Cash Balances, January 1 - (See Note 2)	116,738
Fund Cash Balances, December 31	**$145,178**

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

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 Fredericksburg, Wayne County, (the Village) as a body corporate and politics. A publicly-elected six-member Council governs the Village. The Village provides general government services, including water and sewer utilities, park operations and fire protection services.

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 basis of accounting prescribed or permitted by the Auditor of State of Ohio, 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 of Ohio.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

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 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 private purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Police Levy Fund – This fund receives local property tax money to pay for the contract with the Wayne County Sheriff's Department for police protection.

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

The Ohio Revised Code requires that each fund except certain agency funds 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. Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered 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 carried over, and need not be re-appropriated in the subsequent year. The Village did not encumber all commitments as required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 4.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leaved is not reflected as a liability under the Village's basis of accounting.

2. RESTATEMENT OF BEGINNING FUND BALANCE

As of January 1, 2008, the Village reclassified the general fund and the enterprise funds as the outstanding checks recorded in the prior year were actual voided checks. These reclassifications and adjustments had the following effect on the cash fund balances previously reported.

Fund type	Ending Fund Balance 2007	Beginning Fund Balance 2008	Difference
General	$ 23,101	$ 23,200	$ (99)
Enterprise Fund	114,132	116,738	(2,606)
Total	$ 137,233	$ 139,938	$ (2,705)

3. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of deposits and investments at December 31, 2009 and 2008 was as follows:

	2009	2008
Interest Bearing Checking Account	$ 240,384	$ 174,773
Certificates of Deposit	0	68,340
Total Deposits and Investments	$240,384	$243,113

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

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2009 was as follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$ 63,848	$ 70,186	$ 6,338
Special Revenue	460,886	77,195	(383,691)
Enterprise	1,309,177	762,202	(546,975)
Total	$ 1,833,911	$ 909,583	$ (924,328)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$ 63,848	$ 50,105	$ 13,743
Special Revenue	460,886	113,191	347,695
Enterprise Fund	1,309,177	749,016	560,161
Total	$ 1,833,911	$ 912,312	$ 921,599

Budgetary activity for the year ending December 31, 2008 was as follows:

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$ 95,101	$ 55,216	$ (39,885)
Special Revenue	156,231	60,735	(95,496)
Enterprise	1,279,132	216,415	(1,062,717)
Total	$ 1,530,464	$ 332,366	$ (1,198,098)

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$ 103,101	$ 69,567	$ 33,534
Special Revenue	156,231	66,880	89,351
Enterprise	1,279,132	187,975	$ 1,091,157
Total	$ 1,538,464	$ 324,422	$ 1,214,042

Contrary to Ohio law the Village does not encumber funds at the time of commitment.

5. 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 Wayne 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.

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 Wayne 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.

6. DEBT OBLIGATIONS

Debt outstanding at December 31, 2009 follows:

	Principal	Interest Rate
OWDA Loan - #2267	$599,352	4.12%

The Ohio Water Development Authority (OWDA) loan relates to the construction of a municipal wastewater treatment plant and a sanitary sewer system. This loan will be repaid in semiannual installments with 4.12% interest over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	OWDA Loan	Principal	Interest
2010	$84,294	$60,215	$24,079
2011	84,294	62,721	21,573
2012	84,294	65,332	18,962
2013	84,294	68,052	16,242
2014	84,294	70,884	13,410
Subsequent	295,030	272,148	22,882
Total	$716,500	$599,352	$177,148

6. DEBT OBLIGATIONS - (Continued)

	Principal	Interest Rate
OWDA Loan - #5055	$220,656	2%

The Ohio Water Development Authority (OWDA) loan relates to the construction of a municipal water tank improvement project. The loan amount was $275,324.25 with the principal amount of $220,656 outstanding at December 31, 2009. This loan will be repaid in semiannual installments with 2.0% interest over 30 years. The loan is collateralized by water receipts. Per the OWDA the useful life of the water tank and waterlines is 50 years, and therefore, a 30 year term is appropriate for this project.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31	OWDA Loan	Principal	Interest
2010	$9,817	$5,431	$4,386
2011	9,817	5,540	4,277
2012	9,817	5,651	4,166
2013	9,817	5,765	4,052
2014	9,817	5,881	3,936
Subsequent	245,417	192,388	53,029
Total	$294,502	$220,656	$73,846

7. RETIREMENT SYSTEMS

The Village's elected officials and 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 2009 and 2008 members of PERS contributed 10.0% of their gross salaries, and the Village contributed an amount equal to 14.0% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

8. RISK MANAGEMENT - (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, PEP retained $350,000 for casualty claims and $100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

Casualty Coverage and Property Coverage	2008	2007
Assets	$35,769,535	$37,560,071
Liabilities	(15,310,206)	(17,340,825)
Net Assets	$20,459,329	$20,219,246

At December 31, 2008 and 2007, respectively, the liabilities above include approximately $13.8 million and $15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $12.9 million and $15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008, and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2008	$7,000
2009	$3,939

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. RISK MANAGEMENT - (Continued)

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

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 to provide coverage to employees for job related injuries.

ALGER & ASSOCIATES, LLC
Certified Public Accountants

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

Village of Fredericksburg
Wayne County
118 North Mill Street
Fredericksburg, OH 44627

To the Village Council:

We have audited the financial statements of the Village of Fredericksburg, Wayne County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 7, 2010 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-002 described in the accompanying schedule of findings to be material weaknesses.

6927 Burgundy Ave. N.W.
North Canton, OH 44720
(330) 350-2553

542 Ablemarle Circle
Delaware, OH 43015
(740) 816-2961

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 7, 2010.

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

Alger & Associates, LLC
June 7, 2010

SCHEDULE OF FINDING
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation…has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances.

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 sections 5705.41(D) (1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **Then and Now Certificate**: If the fiscal officer can certify that both at the time that the contract or order was made "then" at the time that he is completing his certification "now", 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 can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

   Amounts of less than $100 for counties, or less than $3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current 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.

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 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 encumber and/or certify that funds were available at the time of the commitment for any of the disbursements made by the Village. Incurring obligations prior to the Fiscal Officer's certification could result in the Village spending more than appropriated. The Village did not satisfy any of the exceptions stated above.

Also the Village Fiscal Officer does not utilize purchase orders which would allow the Fiscal Officer to certify funds are available.

FINDING NUMBER 2009-001
(Continued)

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 that the Fiscal Officer utilize purchase orders to certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend that the Village certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language as set forth in 5705.41(D) (1) to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Implementation of the recommendation may help the Village come into compliance with the Ohio Revised Code.

Officials Response:

The Village did not respond to this Finding.

FINDING NUMBER 2009-002

Financial Reporting

Sound financial reporting is the responsibility of the Village Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of our audit, we identified material reclassifications and adjustments in the Village's financial statements for both 2009 and 2008. We also found the Village had entered into an OWDA loan agreement, in which neither the revenue nor expenditures were booked on the financial statements in the amount of $218,732. We provided adjusting entries to management who subsequently corrected the misstatements on the financial statements.

As a result of our audit, we identified material reclassifications and adjustments in the Village's financial statements for both 2009 and 2008. We provided adjusting entries to management who subsequently corrected the misstatements on the financial statements.

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend Village implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes. The Village Fiscal Officer should review the Village Manual for guidance on the correct line item to post various receipts and expenditures of the Village.

Officials Response:

The Village did not respond to this Finding.

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDING DECEMBER 31, 2007 AND 2006

Finding Number	**Finding Summary**	**Fully Corrected?**	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	**Material Weakness –** Financial Reporting	No	Reissued – See Finding # 2009-002
2007-002	**Ohio Rev. Code Section 5705.41 (D)** – The Village did not always certify funds were available at the time of the commitment	No	Reissued – See Finding # 2009-001

Mary Taylor, CPA
Auditor of State

VILLAGE OF FREDERICKSBURG

WAYNE 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
AUGUST 3, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us