

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
Regular Audit
For the Years Ended December 31, 2010 and 2009**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Village Council
Village of Frazeytsburg
68 N. State Street
Frazeytsburg, Ohio 43822

We have reviewed the *Independent Accountants' Report* of the Village of Frazeytsburg, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2009 through December 31, 2010. 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 Frazeytsburg is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 24, 2011

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**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

June 6, 2011

Village of Frazeytsburg
Muskingum County
68 N. State Street
Frazeytsburg, Ohio 43822

To the Village Council:

We have audited the accompanying financial statements of **Village of Frazeytsburg**, Muskingum County, Ohio, (the Village) as of and for the years ended December 31, 2010 and 2009. 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 the 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.

Village of Frazeytsburg
Muskingum County
Independent Accountants' Report
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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, 2010 and 2009 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, 2010 and 2009 or their changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of the Village of Frazeytsburg, Muskingum County, Ohio, as of December 31, 2010 and 2009, 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 6, 2011, 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.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF FRAZEYSBURG
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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 34,702	\$ 93,764	\$ 128,466
Municipal Income Tax	116,202	-	116,202
Intergovernmental Receipts	37,161	1,145,064	1,182,225
Charges for Services	29,605	-	29,605
Fines, Licenses, and Permits	24,835	1,923	26,758
Earnings on Investments	1,524	101	1,625
Miscellaneous	9,802	3,050	12,852
	<u>253,831</u>	<u>1,243,902</u>	<u>1,497,733</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	97,367	82,684	180,051
Leisure Time Activities	35,325	-	35,325
Community Environment	29,321	-	29,321
Transportation	-	32,176	32,176
General Government	88,850	3,376	92,226
Debt Service:			
Redemption of Principal	-	102,645	102,645
Interest and Fiscal Charges	-	6,068	6,068
Capital Outlay	2,000	951,447	953,447
	<u>252,863</u>	<u>1,178,396</u>	<u>1,431,259</u>
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Disbursements	<u>968</u>	<u>65,506</u>	<u>66,474</u>
Other Financing Receipts:			
Sale of Fixed Assets	<u>6,480</u>	<u>-</u>	<u>6,480</u>
Total Other Financing Receipts	<u>6,480</u>	<u>-</u>	<u>6,480</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>7,448</u>	<u>65,506</u>	<u>72,954</u>
Fund Cash Balances, January 1	<u>16,391</u>	<u>65,836</u>	<u>82,227</u>
Fund Cash Balances, December 31	<u>\$ 23,839</u>	<u>\$ 131,342</u>	<u>\$ 155,181</u>
Reserve for Encumbrances, December 31	<u>\$ 1,543</u>	<u>\$ 91</u>	<u>\$ 1,634</u>

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 569,634	\$ -	\$ 569,634
Total Operating Cash Receipts	<u>569,634</u>	<u>-</u>	<u>569,634</u>
Operating Cash Disbursements:			
Personal Services	103,611	-	103,611
Fringe Benefits	54,166	-	54,166
Contractual Services	101,728	-	101,728
Material and Supplies	81,700	-	81,700
Other	1,127	-	1,127
Total Operating Cash Disbursements	<u>342,332</u>	<u>-</u>	<u>342,332</u>
Operating Income	<u>227,302</u>	<u>-</u>	<u>227,302</u>
Non-Operating Receipts/(Disbursements)			
Note Proceeds	138,190	-	138,190
Miscellaneous Receipts	1,975		
Earnings on Investments	1,371	-	1,371
Other Non-Operating Cash Receipts	-	38,868	38,868
Other Non-Operating Cash Disbursements	-	(36,023)	(36,023)
Capital Outlay	(148,003)	-	(148,003)
Redemption of Principal	(96,177)	-	(96,177)
Interest and Other Fiscal Charges	(84,655)	-	(84,655)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(187,299)</u>	<u>2,845</u>	<u>(184,454)</u>
Excess of Operating Receipts and Non-operating Receipts Over (Under) Operating Disbursements and Non-operating Disbursements Before Transfers	<u>40,003</u>	<u>2,845</u>	<u>42,848</u>
Transfers-In	77,000	-	77,000
Transfers-Out	(77,000)	-	(77,000)
Net Receipts Over/(Under) Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Fund Cash Balances, January 1	<u>327,738</u>	<u>937</u>	<u>328,675</u>
Fund Cash Balances, December 31	<u>\$ 367,741</u>	<u>\$ 3,782</u>	<u>\$ 371,523</u>
Reserve for Encumbrances, December 31	<u>\$ 2,725</u>	<u>\$ -</u>	<u>\$ 2,725</u>

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

**VILLAGE OF FRAZEYSBURG
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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 35,312	\$ 99,584	\$ -	\$ 134,896
Municipal Income Tax	129,823	-	-	129,823
Intergovernmental Receipts	25,685	60,321	-	86,006
Charges for Services	27,883	-	-	27,883
Fines, Licenses, and Permits	12,745	1,150	-	13,895
Earnings on Investments	1,828	-	-	1,828
Miscellaneous	10,229	-	-	10,229
Total Cash Receipts	<u>243,505</u>	<u>161,055</u>	<u>-</u>	<u>404,560</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	98,648	88,370	-	187,018
Leisure Time Activities	42,123	-	-	42,123
Community Environment	33,121	-	-	33,121
Transportation	-	44,326	-	44,326
General Government	112,072	3,417	-	115,489
Capital Outlay	-	-	2	2
Total Cash Disbursements	<u>285,964</u>	<u>136,113</u>	<u>2</u>	<u>422,079</u>
Total Cash Receipts Over/(Under) Disbursements	<u>(42,459)</u>	<u>24,942</u>	<u>(2)</u>	<u>(17,519)</u>
Fund Cash Balances, January 1	<u>58,850</u>	<u>40,894</u>	<u>2</u>	<u>99,746</u>
Fund Cash Balances, December 31	<u>\$ 16,391</u>	<u>\$ 65,836</u>	<u>\$ -</u>	<u>\$ 82,227</u>
Reserve for Encumbrances, December 31	<u>\$ 2,046</u>	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ 2,160</u>

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

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

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 617,803	\$ -	\$ 617,803
Total Operating Cash Receipts	<u>617,803</u>	<u>-</u>	<u>617,803</u>
Operating Cash Disbursements:			
Personal Services	92,230	-	92,230
Fringe Benefits	51,970	-	51,970
Contractual Services	153,468	-	153,468
Material and Supplies	111,789	-	111,789
Other	555	-	555
Total Operating Cash Disbursements	<u>410,012</u>	<u>-</u>	<u>410,012</u>
Operating Income/(Loss)	<u>207,791</u>	<u>-</u>	<u>207,791</u>
Non-Operating Receipts/(Disbursements)			
Intergovernmental	71,706	-	71,706
Capital Outlay	(2,000)	-	(2,000)
Earnings on Investment	84	-	84
Other Non-Operating Cash Receipts	-	16,700	16,700
Other Non-Operating Cash Disbursements	-	(17,099)	(17,099)
Redemption of Principal	(92,515)	-	(92,515)
Interest and Other Fiscal Charges	(90,278)	-	(90,278)
Total Non-Operating Cash Receipts/(Disbursements)	<u>(113,003)</u>	<u>(399)</u>	<u>(113,402)</u>
Excess of Operating Receipts and Non-operating Receipts Over (Under) Operating Disbursements and Non-operating Disbursements Before Transfers	<u>94,788</u>	<u>(399)</u>	<u>94,389</u>
Transfer In	133,000	-	133,000
Transfer Out	<u>(133,000)</u>	<u>-</u>	<u>(133,000)</u>
Net Receipts Over/(Under) Disbursements	<u>94,788</u>	<u>(399)</u>	<u>94,389</u>
Fund Cash Balances, January 1 (Restated - See Note 10)	<u>232,950</u>	<u>1,336</u>	<u>234,286</u>
Fund Cash Balances, December 31	<u>\$ 327,738</u>	<u>\$ 937</u>	<u>\$ 328,675</u>
Reserve for Encumbrances, December 31	<u>\$ 4,148</u>	<u>\$ -</u>	<u>\$ 4,148</u>

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Frazeytsburg, Muskingum County (the Village) is a body corporate and politic established for the purpose of exercising 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, including water and sewer utilities, park operations (leisure time activities), and police services (security of persons and property). The Village appropriates local property tax money for the volunteer fire department.

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. 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 matter, as the the Auditor of State prescribes or permits.

C. Deposits and Investments

During the period the Village maintained a general checking account, certificate of deposits, and mayor's court checking account.

The Village has no investments.

D. Fund Accounting

The Village uses fund accounting to segregate cash 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 that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Street Lighting Fund – This fund receives a special property tax levy to pay for Village street lighting.

Fire Levy Fund – This fund receives a property tax levy to support a volunteer fire department and to provide fire protection services.

3. Capital Projects Fund

These funds account for receipts restricted to acquiring or constructing major capital projects (except for those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Frazeysburg Community Center Fund – This fund accounts for monies used for renovations at the village hall for the community center.

4. 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 the cost of providing this utility.

Sewer Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Debt Reserve Fund – This fund receives sewer surcharges for repayment of loans incurred in planning, construction and operation of the Village Sewer System.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Agency Funds)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village had the following significant Fiduciary Fund:

Mayor's Court Fund – This fund receives and distributes Mayor's Court fines and forfeitures.

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 object level of control, and appropriations may not exceed estimated resources. Village 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 unencumbered 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 reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 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.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	2010	2009
Demand deposits	\$ 443,069	\$ 315,638
Certificates of deposits	83,635	95,264
Total deposits	\$ 526,704	\$ 410,902

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 262,612	\$ 260,311	\$ (2,301)
Special Revenue	1,361,982	1,243,902	(118,080)
Enterprise	701,600	788,170	86,570
Total	\$ 2,326,194	\$ 2,292,383	\$ (33,811)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 279,003	\$ 254,406	\$ 24,597
Special Revenue	1,208,691	1,178,487	30,204
Enterprise	876,384	750,892	125,492
Total	\$ 2,364,078	\$ 2,183,785	\$ 180,293

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 291,432	\$ 243,505	\$ (47,927)
Special Revenue	162,309	161,055	(1,254)
Enterprise	844,100	822,593	(21,507)
Total	<u>\$ 1,297,841</u>	<u>\$ 1,227,153</u>	<u>\$ (70,688)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 302,355	\$ 288,010	\$ 14,345
Special Revenue	160,756	136,227	24,529
Capital Projects	2	2	-
Enterprise	844,100	731,953	112,147
Total	<u>\$ 1,307,213</u>	<u>\$ 1,156,192</u>	<u>\$ 151,021</u>

4. PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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. INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1572 OWDA – 1988 Sewer Loan	\$ 273,032	8.09%
1573 OWDA – 1990 Sewer Loan	36,715	7.96%
2001 OPWC – Storm Sewer Project	20,503	2.00%
4163 OWDA – 2004 Lift Station Loan	82,018	5.06%
2005 USDA Rural Development Loan A	724,400	4.13%
2005 USDA Rural Development Loan B	144,700	4.13%
2005 USDA Rural Development Loan C	403,200	4.13%
2010 OPWC – Water Treatment Plant Improvements	138,190	0.00%
Total	<u>\$ 1,822,758</u>	

The Ohio Water Development Authority (OWDA) Loans #1573 and #1572 were for the construction, maintenance, and operation of a wastewater treatment plant completed in 1991. The original loans were for \$89,000 and \$934,090, respectively. The loans will be repaid in semi-annual installments of \$4,257 and \$46,447, respectively, including interest, over 25 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements, and has added a surcharge to sewer rates to retire this debt.

The 2001 Ohio Public Works Commission (OPWC) loan relates to a storm sewer project for the Village. The original loan was for \$35,702. The loan will be repaid in semi-annual installments of \$1,087, including interest, over 20 years.

The prior audit reflected an OPWC Loan Assistance Loan in the amount of \$31,938. This was actually a loan assistance grant completely funded by OPWC and should not have been reflected as outstanding debt. This amount has been excluded from the December 31, 2010 outstanding debt.

The OWDA loan #4163 relates to construction of a lift station. The original loan was for the \$125,000 and the schedule above includes interest capitalized on this loan. The loan will be paid in semi-annual installments of \$5,996, including interest, over 15 years. The loan is collateralized by revenue generated by the water facilities.

The United States Department of Agriculture Rural Development (USDA) Loans A, B and C were used to pay off OWDA loan #3951 that relates to a water system improvements. The original loan was for \$751,000, \$150,000 and \$418,000 respectively and the schedule above includes interest capitalized on these loans. The loans will be paid off in annual payments over the next 40 years. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements. The prior audit outstanding balance included \$17,833 of capitalized interest that was reflected on the principal outstanding that is not included in the December 31, 2010 principal outstanding amounts reflected above.

The 2010 OPWC loan relates to a water treatment plant improvement project. The original loan was for \$138,190. The loan will be repaid in semi-annual installments of \$3,455, including interest, over 20 years.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. DEBT (Continued)

The OWDA loan #4528 relates to a sewer improvement project. The loan will be paid in monthly installments of \$2,625 until final disbursement is made, at which time amortization schedule will establish payments for 5 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan was paid off in 2010.

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

Year Ended	OWDA #1572	OWDA #1573	OPWC 2001	OWDA #4163	USDA A,B,C	OPWC #2010
2011	92,893	8,513	2,175	11,992	67,904	6,910
2012	92,893	8,513	2,175	11,992	68,114	6,910
2013	92,893	8,513	2,175	11,992	68,087	6,910
2014	46,447	8,513	2,175	11,992	68,131	6,910
2015	-	12,770	2,175	11,992	67,943	6,910
2016-2020	-	-	10,875	41,972	340,165	34,550
2021-2025	-	-	1,087	-	340,267	34,550
2026-2030	-	-	-	-	340,128	34,540
2031-2035	-	-	-	-	339,198	-
2036-2040	-	-	-	-	340,281	-
2041-2045	-	-	-	-	339,616	-
Total	\$ 325,126	\$ 46,822	\$ 22,837	\$ 101,932	\$ 2,379,834	\$ 138,190

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. 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 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. RISK MANAGEMENT

Risk Pool Membership

Through December 31, 2008, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. Council consists of six (6) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 17.5% (15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 725 members as of December 31, 2009. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 60 members as of December 31, 2009. The Village participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008 (the latest information available), and include amounts for both OPRRM and OPHC:

	<u>2009</u> OPRM	<u>2009</u> OPHC	<u>2009</u>	<u>2008</u>
Assets	\$11,176,186	\$1,358,802	\$12,534,988	\$10,471,114
Liabilities	<u>(4,852,485)</u>	<u>(1,253,617)</u>	<u>(6,106,102)</u>	<u>(5,286,781)</u>
Members' Equity	<u>\$6,323,701</u>	<u>\$105,185</u>	<u>\$6,428,886</u>	<u>\$5,184,333</u>

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

9. INTERFUND TRANSFERS

Interfund transfers for the audit period, consisted of the following:

For Year Ended December 31, 2010	<u>Transfer In</u>	<u>Transfer Out</u>
From Water Operating to USDA Water Fund	\$ 77,000.00	\$ (77,000.00)
	<u> </u>	<u> </u>
For Year Ended December 31, 2009	<u>Transfer In</u>	<u>Transfer Out</u>
From Water Operating to USDA Water Fund	\$ 77,000.00	\$ (77,000.00)
From Sewer Operating to Sewer Debt Reserve	56,000.00	(56,000.00)
	<u>\$ 133,000.00</u>	<u>\$ (133,000.00)</u>

The Transfers from the Water and Sewer Operating Funds were made to cover debt payment due from construction projects associated to the Water and Sewer Plant and related infrastructure in 2010 and 2009. Transfers were determined to be in compliance with Ohio Revised Code.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

10. RESTATEMENT OF BEGINNING FUND BALANCE

The prior audit agency fund reflected an incorrect December 31, 2008 ending balance. The Village's actual ending balance at December 31, 2008 was \$1,336. Mayor's court receipts were deposited to the mayor's court bank account but not posted to the accounting system.

	<u>Agency Fund</u>
Ending Fund Balance at December 31, 2008	\$ 2
Correction for error in revenue accounting	<u>1,334</u>
Beginning Fund Balance at January 1, 2009, restated	<u><u>\$ 1,336</u></u>

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

June 6, 2011

Village of Frazeytsburg
Muskingum County
68 N. State Street
Frazeytsburg, Ohio 43822

To the Village Council:

We have audited the financial statements of **Village of Frazeytsburg**, Muskingum County, Ohio (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 6, 2011, 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 the purpose of expressing our opinions 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 considered 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 audit findings, we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

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 Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of audit findings to be a material weakness.

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 no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

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 6, 2011.

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.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
December 31, 2010 and 2009**

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

FINDING NUMBER 2010-001

Material Weakness

Posting Receipts and Expenditures

Receipts and expenditures should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2010 and 2009, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt or expenditure. The following posting errors were noted:

- Principal payments were recorded as Capital Outlay instead of Redemption of Principal and Interest and Other Fiscal Charges
- Loan proceeds and corresponding capital outlay from Ohio Public Works Commission were not recorded in the Village's accounting system
- Homestead, rollback and personal property tax reimbursement receipts were posted as Property and Local Taxes instead of Intergovernmental
- Mayor's Court activity was not properly recorded in the Agency Fund
- All Mayor's Court receipts were not posted to the accounting system in 2008

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications. The accompanying financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook and Ohio Administration Code for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – We did not receive a response from officials to this finding.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	ORC Section 5705.41(B) – Expenditures in excess of appropriations.	Yes	
2008-002	ORC Section 5705.41(D) – Expenditures were made without the fiscal officer’s prior certification.	No	Partially Corrected; Moved to the Management Letter
2008-003	Proper Posting of Receipts and Expenditures.	No	Repeated as Finding 2010-001
2008-004	Bank Reconciliations – Inaccurate bank reconciliations	Yes	
2008-005	Posting of estimated revenues and appropriations in UAN system.	No	Partially Corrected; Moved to the Management Letter



Dave Yost • Auditor of State

VILLAGE OF FRAZEYSBURG

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
JULY 7, 2011