

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY  
Regular Audit  
For the Years Ended December 31, 2012 and 2011**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Village Council  
Village of Frazeytsburg  
7 W. Second Street  
Frazeytsburg, Ohio 43822

We have reviewed the *Independent Auditors' Report* of the Village of Frazeytsburg, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. 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.

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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 25, 2013

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**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

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# *Perry & Associates*

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## **INDEPENDENT AUDITOR'S REPORT**

August 28, 2013

Village of Frazeytsburg  
Muskingum County  
7 W. Second Street  
Frazeytsburg, Ohio 43822

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the **Village of Frazeytsburg**, Muskingum County, (the Village) as of and for the years ended December 31, 2012 and 2011.

### ***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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair 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 opinion.

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

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles (Continued)***

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2012 and 2011, or changes in financial position or cash flows 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 Frazeytsburg, Muskingum County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

***Emphasis of Matter***

As discussed in Note 1F to the financial statements, during 2011 the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2013, 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.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 36,413	\$ 69,732	\$ 106,145
Municipal Income Tax	123,383	-	123,383
Intergovernmental	31,823	117,629	149,452
Charges for Services	6,599	20,469	27,068
Fines, Licenses and Permits	26,293	13,103	39,396
Earnings on Investments	247	658	905
Miscellaneous	10,153	15,078	25,231
<i>Total Cash Receipts</i>	<u>234,911</u>	<u>236,669</u>	<u>471,580</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	93,078	102,778	195,856
Leisure Time Activities	9,219	28,843	38,062
Community Environment	15,942	-	15,942
Basic Utility Services	-	23,815	23,815
Transportation	-	51,827	51,827
General Government	85,089	3,425	88,514
Capital Outlay	-	12,767	12,767
<i>Total Cash Disbursements</i>	<u>203,328</u>	<u>223,455</u>	<u>426,783</u>
<i>Excess of Receipts Over Disbursements</i>	<u>31,583</u>	<u>13,214</u>	<u>44,797</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Capital Assets	-	552	552
Other Financing Sources	537	-	537
Transfers In	-	5,081	5,081
Transfers Out	(5,081)	-	(5,081)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,544)</u>	<u>5,633</u>	<u>1,089</u>
<i>Net Change in Fund Cash Balances</i>	27,039	18,847	45,886
<i>Fund Cash Balances, January 1</i>	<u>948</u>	<u>136,696</u>	<u>137,644</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	133,380	133,380
Committed	-	22,163	22,163
Unassigned	27,987	-	27,987
<i>Fund Cash Balances, December 31</i>	<u>\$ 27,987</u>	<u>\$ 155,543</u>	<u>\$ 183,530</u>

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 637,431	\$ -	\$ 637,431
<i>Total Operating Cash Receipts</i>	<u>637,431</u>	<u>-</u>	<u>637,431</u>
<b>Operating Cash Disbursements</b>			
Personal Services	129,680	-	129,680
Employee Fringe Benefits	95,715	-	95,715
Contractual Services	148,141	-	148,141
Supplies and Materials	73,605	-	73,605
Other	1,035	-	1,035
<i>Total Operating Cash Disbursements</i>	<u>448,176</u>	<u>-</u>	<u>448,176</u>
<i>Operating Income</i>	<u>189,255</u>	<u>-</u>	<u>189,255</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	69,172		69,172
Earnings on Investments	293	-	293
Other Debt Proceeds	197,187	-	197,187
Sale of Capital Assets	1,400	-	1,400
Miscellaneous Receipts	1,866	-	1,866
Capital Outlay	(252,703)	-	(252,703)
Principal Retirement	(127,617)	-	(127,617)
Interest and Other Fiscal Charges	(75,592)	-	(75,592)
Other Non-Operating Cash Receipts	-	41,242	41,242
Other Non-Operating Cash Disbursements	-	(39,110)	(39,110)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(185,994)</u>	<u>2,132</u>	<u>(183,862)</u>
<i>Income before Transfers</i>	3,261	2,132	5,393
Transfers In	77,000	-	77,000
Transfers Out	(77,000)	-	(77,000)
<i>Net Change in Fund Cash Balances</i>	3,261	2,132	5,393
<i>Fund Cash Balances, January 1</i>	<u>362,469</u>	<u>737</u>	<u>363,206</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 365,730</u>	<u>\$ 2,869</u>	<u>\$ 368,599</u>

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 29,883	\$ 50,094	\$ 79,977
Municipal Income Tax	112,559	-	112,559
Intergovernmental	31,560	213,472	245,032
Charges for Services	29,512	-	29,512
Fines, Licenses and Permits	22,420	1,560	23,980
Earnings on Investments	610	720	1,330
Miscellaneous	4,451	100	4,551
<i>Total Cash Receipts</i>	<u>230,995</u>	<u>265,946</u>	<u>496,941</u>
<b>Cash Disbursements</b>			
Current:			
Security of Persons and Property	90,349	61,408	151,757
Leisure Time Activities	37,295	-	37,295
Community Environment	27,400	-	27,400
Transportation	-	40,632	40,632
General Government	100,179	3,334	103,513
Capital Outlay	1,259	155,218	156,477
<i>Total Cash Disbursements</i>	<u>256,482</u>	<u>260,592</u>	<u>517,074</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(25,487)</u>	<u>5,354</u>	<u>(20,133)</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets	2,472	-	2,472
Other Financing Sources	124	-	124
<i>Total Other Financing Receipts</i>	<u>2,596</u>	<u>-</u>	<u>2,596</u>
<i>Net Change in Fund Cash Balances</i>	(22,891)	5,354	(17,537)
<i>Fund Cash Balances, January 1</i>	<u>23,839</u>	<u>131,342</u>	<u>155,181</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	116,366	116,366
Committed	-	20,330	20,330
Unassigned	948	-	948
<i>Fund Cash Balances, December 31</i>	<u>\$ 948</u>	<u>\$ 136,696</u>	<u>\$ 137,644</u>

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
<b>Operating Cash Receipts</b>			
Charges for Services	\$ 565,377	\$ -	\$ 565,377
<i>Total Operating Cash Receipts</i>	<u>565,377</u>	<u>-</u>	<u>565,377</u>
<b>Operating Cash Disbursements</b>			
Personal Services	118,781	-	118,781
Employee Fringe Benefits	63,066	-	63,066
Contractual Services	123,976	-	123,976
Supplies and Materials	103,725	-	103,725
Other	1,043	-	1,043
<i>Total Operating Cash Disbursements</i>	<u>410,591</u>	<u>-</u>	<u>410,591</u>
<i>Operating Income</i>	<u>154,786</u>	<u>-</u>	<u>154,786</u>
<b>Non-Operating Receipts (Disbursements)</b>			
Intergovernmental	109,616	-	109,616
Earnings on Investments	656	-	656
Miscellaneous Receipts	16,379	-	16,379
Capital Outlay	(106,369)	-	(106,369)
Principal Retirement	(101,919)	-	(101,919)
Interest and Other Fiscal Charges	(78,421)	-	(78,421)
Other Non-Operating Cash Receipts	-	22,883	22,883
Other Non-Operating Cash Disbursements	-	(25,928)	(25,928)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(160,058)</u>	<u>(3,045)</u>	<u>(163,103)</u>
<i>Income before Transfers</i>	(5,272)	(3,045)	(8,317)
Transfers In	69,927	-	69,927
Transfers Out	(69,927)	-	(69,927)
<i>Net Change in Fund Cash Balances</i>	(5,272)	(3,045)	(8,317)
<i>Fund Cash Balances, January 1</i>	<u>367,741</u>	<u>3,782</u>	<u>371,523</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 362,469</u>	<u>\$ 737</u>	<u>\$ 363,206</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, 2012 AND 2011**

**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 Frazeytsburg, Muskingum County, (the Village) as a body corporate and politic. 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 participates in the Ohio Government Risk Management Plan, a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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, certificates of deposit, savings account, 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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. 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 has the following significant Special Revenue Funds:

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(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.

**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.

**5. Fiduciary Funds (Agency Funds)**

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

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's agency fund accounts for Mayor's Court activity.

**E. Budgetary Process**

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

VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

In 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. 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:

1. Nonspendable

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

2. 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.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

**3. 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.

**4. 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.

**5. 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.

**G. 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.

**H. 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:



**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**2. EQUITY IN POOLED DEPOSITS (Continued)**

	<b>2012</b>	<b>2011</b>
Demand deposits	\$ 461,186	\$ 417,200
Certificates of deposit	90,943	83,650
Total deposits	\$ 552,129	\$ 500,850

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

**2012 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 244,764	\$ 235,448	\$ (9,316)
Special Revenue	377,723	242,302	(135,421)
Enterprise	899,454	984,349	84,895
Total	\$ 1,521,941	\$ 1,462,099	\$ (59,842)

**2012 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 242,912	\$ 208,409	\$ 34,503
Special Revenue	419,585	223,455	196,130
Enterprise	1,031,223	981,088	50,135
Total	\$ 1,693,720	\$ 1,412,952	\$ 280,768

**2011 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 277,997	\$ 233,591	\$ (44,406)
Special Revenue	395,642	265,946	(129,696)
Enterprise	706,172	761,955	55,783
Total	\$ 1,379,811	\$ 1,261,492	\$ (118,319)

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 285,931	\$ 256,482	\$ 29,449
Special Revenue	393,572	260,592	132,980
Enterprise	799,240	767,227	32,013
Total	\$ 1,478,743	\$ 1,284,301	\$ 194,442

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. 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 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. LOCAL 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.

**6. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1572 OWDA – 1988 Sewer Loan	\$ 125,695	8.09%
1573 OWDA – 1990 Sewer Loan	25,088	7.96%
2001 OPWC – Storm Sewer Project	16,921	2.00%
4163 OWDA – 2004 Lift Station Loan	65,728	5.06%
6038 OWDA – Storm Water Improvements	187,697	1.50%
2005 USDA Rural Development Loan A	704,900	4.13%
2005 USDA Rural Development Loan B	140,800	4.13%
2005 USDA Rural Development Loan C	392,300	4.13%
2010 OPWC – Water Treatment Plant Improvements	131,280	0.00%
Total	<u>\$ 1,790,409</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.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**6. DEBT (Continued)**

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 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.

The OWDA loan #6038 relates to a storm water improvement project. This loan was not finalized at the end of the audit period and an amortization schedule has not been completed.

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

Year Ended	OWDA #1572	OWDA #1573	OWDA #4163	OPWC #2001W	OPWC #2001S	USDA A,B,C
2013	92,893	8,513	11,992	6,910	2,175	70,081
2014	46,447	8,513	11,992	6,910	2,175	70,126
2015	-	8,513	11,992	6,910	2,175	69,939
2016	-	4,257	11,992	6,910	2,175	70,126
2017	-	-	11,992	6,910	2,175	69,972
2018-2022	-	-	17,988	34,550	7,611	350,245
2023-2027	-	-	-	34,550	-	350,264
2028-2032	-	-	-	27,630	-	350,291
2033-2037	-	-	-	-	-	349,328
2038-2042	-	-	-	-	-	350,530
2043-2045	-	-	-	-	-	228,844
<b>Total</b>	<b>\$ 139,340</b>	<b>\$ 29,796</b>	<b>\$ 77,948</b>	<b>\$ 131,280</b>	<b>\$ 18,486</b>	<b>\$ 2,329,746</b>

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**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 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2012 and 2011, 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, 2012.

**8. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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 retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

	<b>2012</b>	<b>2011</b>
Assets	\$13,100,381	\$12,501,280
Liabilities	(6,687,193)	(5,328,761)
Members' Equity	\$6,413,188	\$7,172,519

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**9. TRANSFERS**

During 2011, the following transfers were made:

	Transfers In	Transfers Out
Water Operating	\$ -	\$ 69,927
USDA Water Debt Service Fund	63,569	-
USDA Water Debt Service Reserve Fund	6,358	-
Total	\$ 69,927	\$ 69,927

During 2012, the following transfers were made:

	Transfers In	Transfers Out
General	\$ -	\$ 5,081
Swimming Pool	5,081	-
Water Operating	-	77,000
USDA Water Debt Service Fund	70,000	-
USDA Water Debt Service Reserve Fund	7,000	-
Total	\$ 82,081	\$ 82,081

During 2011, the Village transferred money from the Water Operating Fund to the USDA Water Debt Service Fund and the USDA Water Debt Service Reserve Fund in order to pay debt payments from the appropriate funds. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

During 2012, the Village transferred money from the Water Operating Fund to the USDA Water Debt Service Fund and the USDA Water Debt Service Reserve Fund in order to pay debt payments from the appropriate funds. The Village also transferred money from the General Fund to the Swimming Pool Fund for operation of the swimming pool. These transfers were determined to be appropriate and in compliance with the Ohio Revised Code.

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

August 28, 2013

Village of Frazeytsburg  
Muskingum County  
7 W. Second Street  
Frazeytsburg, Ohio 43822

To the Village Council:

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 **Village of Frazeytsburg**, Muskingum County (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated August 28, 2013, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1, and the Village implemented Governmental Accounting Standards Board Statement No. 54.

### ***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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 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. We consider finding 2012-01 described in the accompanying schedule of audit findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-04 described in the accompanying schedule of audit findings to be a significant deficiency.

***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 audit findings as items 2012-02 and 2012-03.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 28, 2013.

***Entity's Response to Findings***

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

***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.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-001**

**Material Weakness**

**Posting Receipts and Disbursements**

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

During 2012 and 2011, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursement. The following posting errors were noted:

- All Mayor's Court receipts and disbursements were not posted to the accounting system in 2011
- OWDA grant receipts and disbursements were not posted correctly
- Capital Outlay disbursements were recorded as Basic Utility Services instead of Capital Outlay in 2011

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

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** – All Mayor's Court receipts and disbursements and OWDA grant receipts and disbursements are currently being recorded correctly.

**FINDING NUMBER 2012-02**

**Noncompliance**

**Ohio Rev. Code Sections 2743.70 and 2949.091** require the Court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, to impose and collect additional costs to be used for the State's Reparations Fund and the State's General Fund, respectively. All such moneys collected during a month under Ohio Rev. Code Section 2743.70 shall be transmitted on the first business day of each month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer in the Reparations Fund. All such moneys collected during a month under Ohio Rev. Code Section 2949.091 shall be transmitted on or before the twentieth day of the following month by the Clerk of the Court to the Treasurer of State and deposited by the Treasurer into the General Fund.

During the audit period, the Village Mayor's Court collected, but failed to remit payments to the State in a timely manner. The Village Mayor's Court should remit moneys owed to the State in a timely manner.

**Management's Response** – Going forward, the Village will ensure payment is made to the State by the twentieth day of the following month.



**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-03**

**Noncompliance**

**Ohio Revised Code 733.40** requires, except as otherwise provided in Ohio Revised Code Section 4511.193, all fines, forfeitures, and cost in ordinance cases and all fees collected by the mayor, or which in any manner come into his or her hands, or which are due to such mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses which have been advanced out of the treasury of the municipal corporation, and all money received by such mayor for the use of such municipal corporation, shall be paid by clerk into the Village's treasury on the first Monday of each month.

Our review of the Village's Mayor's Court disclosed the following:

- Mayor's Court remittances were not made timely to the Village's General Fund.

These weaknesses could allow recording errors and irregularities to occur and remain undetected.

We recommend the Village distribute the correct fines collected by the Village's Mayor's Court to the Village's General Fund and other applicable agencies by the required dates.

**Management's Response** – From this point, the Village will make every effort to ensure the Mayor's Court proceeds check for the Village is written by the first Monday of the month.

**FINDING NUMBER 2012-04**

**Significant Deficiency**

**Complete Income Tax Files**

The income tax files should include the tax return, withholding remittance, and any other supporting documentation to support the tax return or remittances. The file should also have a copy of the receipt and source of payment.

The Village did not always present complete income tax files. This practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials.

We recommend that all income tax files be supported by complete tax returns, withholding remittances, and any other supporting documentation to support the tax return or remittances.

**Management's Response** – The Village submitted files and documents to the Central Collection Agency in 2013 due to an agreement to have them collect taxes on behalf of the Village of Frazeytsburg. Some of the requested files were sent to the CCA because of issues and questions.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Posting Receipts and Expenditures	No	Repeated as Finding 2012-01



# 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  
DECEMBER 5, 2013