

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
Regular Audit
December 31, 2008 and 2007**

Perry & Associates
Certified Public Accountants, A.C



Mary Taylor, CPA

Auditor of State

Village Council
Village of Frazeytsburg
68 North 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, 2007 through December 31, 2008. 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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 19, 2009

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**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

October 23, 2009

Village of Frazeytsburg
Muskingum County
68 N. State Street
PO Box 160
Frazeytsburg, Ohio 43822

To the Village Council:

We have audited the accompanying financial statements of the **Village of Frazeytsburg, Muskingum County, Ohio**, (the Village) as of and for the years ended December 31, 2008 and 2007. 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.

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, 2008 and 2007 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, 2008 and 2007 or their changes in financial position or cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Frazeytsburg, Muskingum County, as of December 31, 2008 and 2007, 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 October 23, 2009, 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, 2008**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$ 32,497	\$ 101,405	\$ -	\$ 133,902
Municipal Income Tax	151,558	-	-	151,558
Intergovernmental Receipts	33,040	56,314	-	89,354
Charges for Services	18,051	-	-	18,051
Fines, Licenses, and Permits	14,470	1,480	-	15,950
Earnings on Investments	2,221	-	-	2,221
Miscellaneous	10,712	-	15,012	25,724
Total Cash Receipts	<u>262,549</u>	<u>159,199</u>	<u>15,012</u>	<u>436,760</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	86,926	91,524	-	178,450
Leisure Time Activities	44,586	-	-	44,586
Transportation	-	42,694	-	42,694
General Government	128,068	3,540	-	131,608
Capital Outlay	-	-	15,010	15,010
Total Cash Disbursements	<u>259,580</u>	<u>137,758</u>	<u>15,010</u>	<u>412,348</u>
Total Cash Receipts Over/(Under) Disbursements	<u>2,969</u>	<u>21,441</u>	<u>2</u>	<u>24,412</u>
Other Financing Receipts/(Disbursements):				
Transfers-Out	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Total Other Financing Receipts/(Disbursements)	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(12,031)	21,441	2	9,412
Fund Cash Balances, January 1	<u>70,881</u>	<u>19,453</u>	<u>-</u>	<u>90,334</u>
Fund Cash Balances, December 31	<u>\$ 58,850</u>	<u>\$ 40,894</u>	<u>\$ 2</u>	<u>\$ 99,746</u>
Reserve for Encumbrances, December 31	<u>\$ 3,657</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 3,686</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, 2008**

	<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	\$ 569,994	\$ -	\$ 569,994
Fees, Fines, and Permits	-	18,543	18,543
Miscellaneous	7,894	-	7,894
	<u>577,888</u>	<u>18,543</u>	<u>596,431</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	92,858	-	92,858
Fringe Benefits	41,015	-	41,015
Contractual Services	90,986	-	90,986
Material and Supplies	122,620	-	122,620
Other	4,328	19,518	23,846
	<u>351,807</u>	<u>19,518</u>	<u>371,325</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>226,081</u>	<u>(975)</u>	<u>225,106</u>
Non-Operating Receipts/(Disbursements)			
Note Proceeds	807	-	807
Earnings on Investments	112	-	112
Redemption of Principal	(91,870)	-	(91,870)
Interest and Other Fiscal Charges	(95,309)	-	(95,309)
	<u>(186,260)</u>	<u>-</u>	<u>(186,260)</u>
Total Non-Operating Cash Receipts/(Disbursements)			
Excess of Operating Receipts and Non-operating Receipts Over (Under) Operating Disbursements and Non-operating Disbursements Before Transfers and Advances	39,821	(975)	38,846
Transfers-In	130,247	-	130,247
Transfers-Out	(115,247)	-	(115,247)
	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Net Receipts Over/(Under) Disbursements			
Fund Cash Balances, January 1	<u>178,129</u>	<u>977</u>	<u>179,106</u>
Fund Cash Balances, December 31	<u>\$ 232,950</u>	<u>\$ 2</u>	<u>\$ 232,952</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, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$ 30,586	\$ 62,933	\$ 93,519
Municipal Income Tax	166,664	-	166,664
Intergovernmental Receipts	34,517	54,849	89,366
Charges for Services	17,600	-	17,600
Fines, Licenses, and Permits	17,977	1,452	19,429
Earnings on Investments	9,647	-	9,647
Miscellaneous	8,547	43	8,590
	<u>285,538</u>	<u>119,277</u>	<u>404,815</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	92,946	110,536	203,482
Leisure Time Activities	43,016	-	43,016
Transportation	-	45,615	45,615
General Government	125,188	2,601	127,789
	<u>261,150</u>	<u>158,752</u>	<u>419,902</u>
Total Cash Receipts Over/(Under) Disbursements	<u>24,388</u>	<u>(39,475)</u>	<u>(15,087)</u>
Other Financing Receipts/(Disbursements):			
Sale of Fixed Assets	3,300	-	3,300
	<u>3,300</u>	<u>-</u>	<u>3,300</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	27,688	(39,475)	(11,787)
Fund Cash Balances, January 1	<u>43,193</u>	<u>58,928</u>	<u>102,121</u>
Fund Cash Balances, December 31	<u>\$ 70,881</u>	<u>\$ 19,453</u>	<u>\$ 90,334</u>
Reserve for Encumbrances, December 31	<u>\$ 805</u>	<u>\$ -</u>	<u>\$ 805</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, 2007**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 669,373	\$ -	\$ 669,373
Fees, Fines, and Permits	-	24,283	24,283
Miscellaneous	7,219	-	7,219
	<u>676,592</u>	<u>24,283</u>	<u>700,875</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	155,943	-	155,943
Fringe Benefits	38,372	-	38,372
Contractual Services	207,058	-	207,058
Material and Supplies	108,181	-	108,181
Other	1,047	23,306	24,353
	<u>510,601</u>	<u>23,306</u>	<u>533,907</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>165,991</u>	<u>977</u>	<u>166,968</u>
Non-Operating Receipts/(Disbursements)			
Note Proceeds	59,928	-	59,928
Redemption of Principal	(71,879)	-	(71,879)
Interest and Other Fiscal Charges	(99,795)	-	(99,795)
	<u>(111,746)</u>	<u>-</u>	<u>(111,746)</u>
Total Non-Operating Cash Receipts/(Disbursements)			
Excess of Operating Receipts and Non-operating Receipts Over (Under) Operating Disbursements and Non-operating Disbursements Before Transfers and Advances	54,245	977	55,222
Transfer In	101,700	-	101,700
Transfer Out	<u>(101,700)</u>	<u>-</u>	<u>(101,700)</u>
Net Receipts Over/(Under) Disbursements			
	54,245	977	55,222
Fund Cash Balances, January 1	<u>123,884</u>	<u>-</u>	<u>123,884</u>
Fund Cash Balances, December 31	<u>\$ 178,129</u>	<u>\$ 977</u>	<u>\$ 179,106</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, 2008 AND 2007**

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 included in the report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control.

B. Basis of Accounting

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 matters the Auditor of State prescribes.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investment purchases or receipts for investment sales. The Village reports gains or losses at the time of sale as receipts or disbursements, respectively.

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, 2008 AND 2007
(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 are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except for those financed through Enterprise Funds). The Village had the following significant Capital Projects Fund:

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

Grant Fund – This fund receives federal and state grants and loans for the water and sewer system improvements.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. 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 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 2008 and 2007 budgetary activity appears in Note 5.

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.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(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 CASH

The Village maintains a checking account used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	<u>\$ 332,698</u>	<u>\$ 269,440</u>

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

3. 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.

4. INCOME TAX

The Village now 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, 2008 AND 2007
(Continued)**

5. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 260,629	\$ 262,549	\$ 1,920
Special Revenue	160,432	159,199	(1,233)
Capital Projects	20,000	15,012	(4,988)
Enterprise	709,034	709,054	20
Total	\$ 1,150,095	\$ 1,145,814	\$ (4,281)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 311,510	\$ 278,237	\$ 33,273
Special Revenue	169,885	137,787	32,098
Capital Projects	20,000	15,010	4,990
Enterprise	701,654	654,233	47,421
Total	\$ 1,203,049	\$ 1,085,267	\$ 117,782

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 271,289	\$ 288,838	\$ 17,549
Special Revenue	114,471	119,277	4,806
Enterprise	652,500	838,220	185,720
Total	\$ 1,038,260	\$ 1,246,335	\$ 208,075

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 302,387	\$ 261,955	\$ 40,432
Special Revenue	160,570	158,752	1,818
Enterprise	769,185	783,975	(14,790)
Total	\$ 1,232,142	\$ 1,204,682	\$ 27,460

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations during 2007 in the Fire Protection, Water Operating and Sewer Debt Reserve Funds.

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 52% of expenditures tested during 2008 and 57% of expenditures testing during 2007.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. DEBT

Debt outstanding at December 31, 2008 was as follows:

	Principal	Interest Rate
1572 OWDA – 1988 Sewer Loan	\$ 399,140	8.09%
1573 OWDA – 1990 Sewer Loan	46,691	7.96%
2001 OPWC – Storm Sewer Project	23,946	2.00%
2007 OPWC – Loan Assistance	31,938	2.00%
4163 OWDA – 2004 Lift Station Loan	96,758	5.06%
2005 USDA Rural Development Loan A^	752,653	4.13%
2005 USDA Rural Development Loan B^	150,328	4.13%
2005 USDA Rural Development Loan C^	418,952	4.13%
4528 OWDA – 2006 Sewer Project^	105,270	4.92%
Total	\$ 2,025,676	

^The outstanding balances of these loans include capitalized interest of \$29,388 that is not reflected as loan proceeds on the financial statements.

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 OWDA loans for water (#2729) and wastewater (#2730) relate to the planning phase of new waterlines and wastewater treatment plants. The original loans were for \$15,000 and \$10,000, respectively. The water and wastewater loans will be paid in annual installments of \$1,500 and \$1,000 over 10 years. The loans were collateralized by revenue generated by the water and wastewater facilities. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Both of these loans were paid off in 2008.

The 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 Ohio Public Works Commission (OPWC) loan assistance loan relates to the sewer project for the Village that was financed through USDA. The original loan was for \$31,938 in 2007. The loan will be repaid in annual installments of \$1,600, plus interest, over 20 years starting in 2009.

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 Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

6. DEBT (Continued)

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 OWDA loan #4528 relates to a sewer improvement project. The proceeds received from this loan total \$118,255, the Village received \$27,990 in 2007 and \$807 in 2008. However, the final disbursement has not been made on this loan and the schedule above includes interest capitalized on this loan. 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.

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

Year Ended	OWDA #1572	OWDA #1573	OPWC 2001	OPWC 2007	OWDA #4163	USDA A,B,C	OWDA #4528
2009	\$ 92,893	\$ 8,513	\$ 2,175	\$ 2,239	\$ 11,992	\$ 69,394	\$ 31,500
2010	92,893	8,513	2,175	2,207	11,992	69,351	31,500
2011	92,893	8,513	2,175	2,175	11,992	69,182	31,500
2012	92,893	8,513	2,175	2,143	11,992	69,182	31,500
2013	92,893	8,513	2,175	2,111	11,992	69,182	31,500
2014-2018	46,447	28,284	10,873	10,074	59,961	346,811	
2019-2023			5,437	9,274	5,936	346,576	
2024-2028				8,412		346,669	
2029-2023						346,622	
2034-2038						346,656	
2039-2043						346,670	
2044-2048						138,364	
Total	\$ 510,912	\$ 70,849	\$ 27,185	\$ 38,635	\$ 125,857	\$ 2,564,659	\$ 157,500

7. RETIREMENT SYSTEMS

The Village's full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multi-employer plan. This plan provides retirement benefits, including post retirement 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. Members of OPERS contributed 10% (2008) and 9.5% (2007) of their gross salaries. The Village contributed an amount equal to 14% (2008) and 13.85% (2007) of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

8. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a nonassessable, unincorporated non-profit association providing a formalized, jointly administered self insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. The Pool's audited financial statements 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:

(Dollars in thousands)	<u>2008</u>	<u>2007</u>
Assets	\$ 10,471	\$ 11,136
Liabilities	<u>(5,287)</u>	<u>(4,273)</u>
Members' Equity	<u>\$ 5,184</u>	<u>\$ 6,863</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

9. INTERFUND TRANSFERS

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

For Year Ended December 31, 2008	<u>Transfer In</u>	<u>Transfer Out</u>
From Water Operating to USDA Water Fund	90,747	(90,747)
From Sewer Operating to Sewer Debt Reserve	24,500	(24,500)
From General to Sewer Operating	15,000	(15,000)
	<u>130,247</u>	<u>(130,247)</u>
For Year Ended December 31, 2007	<u>Transfer In</u>	<u>Transfer Out</u>
From Water Operating to USDA Water Fund	70,200	(70,200)
From Sewer Operating to Sewer Debt Reserve	31,500	(31,500)
	<u>101,700</u>	<u>(101,700)</u>

In 2008, the transfer from the General Fund was made to supplement the Sewer Operating Fund. 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 2008 and 2007. Transfers were determined to in compliance with Ohio Revised Code.

Perry & Associates
Certified Public Accountants, A.C.

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

October 23, 2009

Village of Frazeytsburg
Muskingum County
68 N. State Street
PO Box 160
Frazeytsburg, Ohio 43822

To the Village Council:

We have audited the financial statements of the **Village of Frazeytsburg, Muskingum County, Ohio** (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 23, 2009, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

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

Internal Control Over Financial Reporting (Continued)

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-001 through 2008-005.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiency 2008-003 described above is a material weakness.

We also noted a certain internal control matter that we reported to the Village's management in a separate letter dated October 23, 2009.

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 two instances of noncompliance or other matter that we must report under *Government Auditing Standard* which are described in the accompanying schedule of findings as items 2008-001 and 2008-002.

This report is intended solely for the information and use of management and Village Council and is not intended to be, and should not be used by anyone other than these specified parties.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
December 31, 2008 and 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Noncompliance Citation/Significant Deficiency

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit shall make any expenditure of money unless the same has been properly appropriated.

Actual disbursements exceeded appropriations during 2007 in the Fire Protection, Water Operating and Debt Reserve Funds.

We recommend the Village Fiscal Officer modify appropriations with the Village Council and County Budget Commission before incurring obligations that would cause expenditures to exceed appropriations. The Village Fiscal Officer should deny any payments until the legislative authority has passed the necessary changes to the appropriation measure.

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

FINDING NUMBER 2008-002

Noncompliance Citation/Significant Deficiency

Ohio Revised 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 a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision’s fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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.

- “Then and Now” certificate - If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
December 31, 2008 and 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-002 (Continued)

Noncompliance Citation/Significant Deficiency (Continued)

- 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.

- Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 52% and 57% of the expenditures tested during 2008 and 2007, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions.

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

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
December 31, 2008 and 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-003

Significant Deficiency/Material Weakness

Posting of Receipts and Expenditures

During 2008 and 2007, several receipts and expenditures were not posted into accurate classifications based on the source of the receipt and expenditure. The following mispostings were noted during the audit:

- Note Proceeds were posted to Charges for Services and Other Financing Sources.
- Expenditures for debt payments were posted to Material and Supplies rather than broken down between principal and interest.
- Intergovernmental Receipts were posted to Property Taxes and License, Fees and Permits.
- Sale of Fixed Assets were posted to Miscellaneous.

These mispostings resulted in several audit reclassifications.

We recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper establishment of revenue and expenditure accounts and posting of receipts and expenditures.

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

FINDING NUMBER 2008-004

Significant Deficiency

Bank Reconciliation

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves reconciling the book balance to the cash and investment balance.

For January 1, 2007 through December 31, 2008, the Village did not resolve various differences between the adjusted bank balance and the balance reflected within the Village's accounting records. Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner. These problems have been resolved and the proper adjustments made to the system in 2009. The accompanying financial statement's reflect these adjustments.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
December 31, 2008 and 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-004 (Continued)

Significant Deficiency/Material Weakness (Continued)

Bank Reconciliation (Continued)

We recommend the Fiscal Officer reconcile the end of the month bank balance to the Village's end of the month cash balance per the Cash Journal. Also, a copy of each monthly bank reconciliation and a listing of outstanding checks and deposits in-transit should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month, and the Village Council should sign and date the bank reconciliations to indicate that they have been reviewed.

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

FINDING NUMBER 2008-005

Significant Deficiency

Posting Estimated Revenues and Appropriations

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 5 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

We recommend the Village implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

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, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	ORC Section 507.04 – Minute records silent and/or vague.	Yes	N/A
2006-002	ORC Section 733.40 – Remittance of all fees, fines and forfeitures and costs to the Village on the first Monday of each month.	Yes	N/A
2006-003	ORC Section 2743.79 – Remittance of court cost to Treasurer of State before 20 th day of following month.	Yes	N/A
2006-004	ORC Section 5705.41(B) – Expenditures in excess of appropriations.	No	Not Corrected, Repeated as finding 2008-001.
2006-005	ORC Section 5705.41(D) – Expenditures were made without the fiscal officer’s prior certification.	No	Not Corrected, Repeated as finding 2008-002.
2006-006	Proper Posting of Receipts and Expenditures.	No	Not Corrected, Repeated as finding 2006-003.
2006-007	Village should prepare monthly bank reconciliation in a timely manner and have council approve.	No	Not Corrected, Repeated in finding 2008-004.
2006-008	Tax related late payments	Yes	N/A
2006-009	Posting of estimated revenues and appropriations in UAN system.	No	Not Corrected, Repeated as finding 2006-005.
2006-010	Incomplete voucher package.	Yes	N/A
2006-011	ORC Section 5705.10 – Requires formal resolution by council for inter-fund advances.	Yes	N/A
2006-012	Deficiencies in Payroll Procedures.	Partially Corrected	Repeated in Management Letter.



Mary Taylor, CPA
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 8, 2009**