



**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Frazeytsburg
Muskingum County
7 Second 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, 1999 and 1998. 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

We were unable to obtain assurances concerning income tax receipts for the years ended December 31, 1999 and 1998 stated at \$132,379 and \$116,172, respectively, in the General Fund. Sufficient competent evidential matter was not available in order to perform those audit procedures necessary to obtain sufficient audit assurances concerning income tax receipts. It was not practical to perform alternative procedures.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The basis of accounting prescribed by the Auditor of State requires the Village to report outstanding encumbrances at year-end as budgetary expenditures. The Village did not record encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances at year-end.

In our opinion, except for such adjustments, if any, that would have been necessary had sufficient competent evidential matter been available concerning income tax receipts and, except for such adjustments, if any, that would have been necessary to reflect year-end outstanding encumbrances as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Frazeytsburg, Muskingum County, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Frazeytsburg

This report is intended solely for the information and use of management, the Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 6, 2001

**VILLAGE OF FRAZEYBURG
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, 1999**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$20,055	\$15,776	\$35,831
Income Taxes	132,379		132,379
State Shared Taxes and Permits	77,588	31,296	108,884
Special Assessments		518	518
Intergovernmental Receipts	21,944	151,300	173,244
Charges for Services	256		256
Fines, Licenses, and Permits	19,026		19,026
Earnings on Investments	1,278		1,278
Miscellaneous	18,712	13,475	32,187
	291,238	212,365	503,603
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	79,615	15,823	95,438
Public Health Services	2,239	410	2,649
Leisure Time Activities	1,696	10,766	12,462
Community Environment	30,714		30,714
Basic Utility Services	12,951	98,589	111,540
Transportation	93,217	21,440	114,657
General Government	94,367	65,916	160,283
	314,799	212,944	527,743
Total Cash Disbursements			
Total Cash Receipts Over/(Under) Cash Disbursements	(23,561)	(579)	(24,140)
Other Financing Receipts/(Disbursements):			
Refunds and Reimbursements	41,056		41,056
Sale Of Fixed Assets	1,400		1,400
Transfers-In		30,000	30,000
Transfers-Out	(30,000)		(30,000)
	12,456	30,000	42,456
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,105)	29,421	18,316
Fund Cash Balances, January 1	51,010	56,761	107,771
Fund Cash Balances, December 31	\$39,905	\$86,182	\$126,087

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

**VILLAGE OF FRAZEYBURG
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<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	\$317,401	\$	\$317,401
Total Operating Cash Receipts	317,401	0	317,401
Operating Cash Disbursements:			
Personal Services	46,218		46,218
Fringe Benefits	17,138		17,138
Contractual Services	72,876		72,876
Supplies and Materials	17,811		17,811
Capital Outlay	3,062		3,062
Total Operating Cash Disbursements	157,105	0	157,105
Operating Income/(Loss)	160,296	0	160,296
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	5,798		5,798
Other Non-Operating Cash Receipts		27,605	27,605
Total Non-Operating Cash Receipts	5,798	27,605	33,403
Non-Operating Cash Disbursements:			
Debt Service	104,386		104,386
Contractual Services	3,113		3,113
Other Non-Operating Cash Disbursements	14,670	23,927	38,597
Total Non-Operating Cash Disbursements	122,169	23,927	146,096
Excess of Receipts Over/(Under) Disbursements	43,925	3,678	47,603
Fund Cash Balances, January 1	110,962	196	111,158
Fund Cash Balances, December 31	<u>\$154,887</u>	<u>\$3,874</u>	<u>\$158,761</u>

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

**VILLAGE OF FRAZEYBURG
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, 1998**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Tax and Other Local Taxes	\$17,840	\$14,008	\$31,848
Income Taxes	116,172		116,172
State Shared Taxes and Permits	27,546	31,783	59,329
Special Assessments		413	413
Intergovernmental Receipts	21,165	86,132	107,297
Fines, Licenses, and Permits	9,491		9,491
Earnings on Investments	89	178	267
Miscellaneous	23,423	8,117	31,540
 Total Cash Receipts	 215,726	 140,631	 356,357
Cash Disbursements:			
Current:			
Security of Persons and Property	76,054	31,015	107,069
Community Environment	130	7,652	7,782
Basic Utility Services	4,369	24,630	28,999
Transportation	2,833	44,385	47,218
General Government	91,093	19,855	110,948
 Total Cash Disbursements	 174,479	 127,537	 302,016
 Total Cash Receipts Over/(Under) Cash Disbursements	 41,247	 13,094	 54,341
Other Financing Receipts/(Disbursements):			
Refunds and Reimbursements	25,872		25,872
Sale Of Fixed Assets	2,400		2,400
Transfers-In		11,000	11,000
Transfers-Out	(29,000)		(29,000)
 Total Other Financing Receipts/(Disbursements)	 (728)	 11,000	 10,272
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 40,519	 24,094	 64,613
 Fund Cash Balances, January 1	 10,491	 32,667	 43,158
 Fund Cash Balances, December 31	 \$51,010	 \$56,761	 \$107,771

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

**VILLAGE OF FRAZEYBURG
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$299,373	\$	\$299,373
Total Operating Cash Receipts	299,373	0	299,373
Operating Cash Disbursements:			
Personal Services	40,947		40,947
Fringe Benefits	19,209		19,209
Contractual Services	63,938		63,938
Supplies and Materials	14,606		14,606
Capital Outlay	9,874	180	10,054
Total Operating Cash Disbursements	148,574	180	148,754
Operating Income/(Loss)	150,799	(180)	150,619
Non-Operating Cash Receipts:			
Proceeds from Notes and Bonds	56,413		56,413
Other Non-Operating Cash Receipts		11,983	11,983
Total Non-Operating Cash Receipts	56,413	11,983	68,396
Non-Operating Cash Disbursements:			
Debt Service	102,370		102,370
Contractual Services	53,913		53,913
Other Non-Operating Cash Disbursements	29,848	11,607	41,455
Total Non-Operating Cash Disbursements	186,131	11,607	197,738
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	21,081	196	21,277
Transfers-In	18,000		18,000
Excess of Receipts Over/(Under) Disbursements	39,081	196	39,277
Fund Cash Balances, January 1	71,881	0	71,881
Fund Cash Balances, December 31	\$110,962	\$196	\$111,158

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, 1999 AND 1998**

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 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except debt service funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 10 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Village maintains interest-bearing checking and savings accounts

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund. The Village maintains an Income Tax Fund to account for local income tax monies as described in Note 8. The activities of this fund are included in the General Fund for reporting purposes. Funds derived from the Village's income tax are utilized for the general operations of the Village and are not restricted as to use.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

FEMA Fund - This fund receives federal assistance to assist the Village in repairing damages caused by natural disasters.

Fire Protection Fund -This fund receives tax money for contracting for fire protection services.

3. Enterprise Funds

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

Water Operating Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

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

Capital Improvement, Debt Retirement Fund - This fund receives utility surcharge for repayment of loans incurred in planning, construction, and operation of the Village's utilities.

4. 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 Agency Fund:

Mayor's Court Fund - This fund receives fine money which is disbursed to state and local entities.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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. The Village did not use the encumbrance method of accounting.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

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

	<u>1999</u>		<u>1998</u>
Demand deposits	\$ 284,848	\$	218,929

At December 31, 1999 and 1998, \$100,000 of deposits were insured by the Federal Deposit Insurance Corporation. However, at December 31, 1999 and 1998, \$184,848 and \$118,929 of deposits, respectively, were not insured or collateralized, contrary to Chapter 135.18, Ohio Revised Code.

3. ACCOUNTABILITY

As of December 31, 1999, the Village's General Fund had a negative fund cash balance of \$26,714, contrary to Ohio Rev. Code Section 5705.10 which states, in part, that money that is paid into a fund must be used only for the purposes for which said fund has been established. Although a negative fund cash balance is not reflected on the accompanying financial statements due to the Income Tax Fund activity being included in the General Fund as discussed in Note 1, the General Fund was maintained separately on the Village's books and allowed to carry a deficit balance. In addition, the Street Construction, Maintenance and Repair Fund, Income Tax Fund, Water Operating Fund, and Sewer Operating Fund also had negative fund cash balances during portions of 1998 and/or 1999 which is also in violation of the Revised Code.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 300,521	\$ 333,694	\$ 33,173
Special Revenue	106,793	242,365	135,572
Enterprise	251,568	323,199	71,631
Total	\$ 658,882	\$ 899,258	\$ 240,376

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 189,683	\$ 344,799	\$ (155,116)
Special Revenue	106,822	212,944	(106,122)
Enterprise	302,299	279,274	23,025
Total	\$ 598,804	\$ 837,017	\$ (238,213)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 266,000	\$ 243,998	\$ (22,002)
Special Revenue	124,722	151,631	26,909
Enterprise	304,000	373,786	69,786
Total	\$ 694,722	\$ 769,415	\$ 74,693

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 235,945	\$ 203,479	\$ 32,466
Special Revenue	93,961	127,537	(33,576)
Enterprise	162,238	334,705	(172,467)
Total	\$ 492,144	\$ 665,721	\$ (173,577)

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

Compliance and Accountability:

The certification of availability of unencumbered appropriations for expenditure was not made prior to purchase commitments being incurred. Section 5705.41(D), Revised Code, requires a certificate of the fiscal officer to be attached to any order of expenditure, prior to a commitment being incurred. As a result, there were no encumbrances to report on the financial statements and outstanding purchase commitments were not included in budgetary disbursements shown above.

The Village made expenditures in excess of appropriations in violation of Ohio Rev. Code Section 5705.41(B) which prohibits a subdivision from making a disbursement unless it has been properly appropriated.

During 1999, the Village appropriated funds in excess of total estimated resources in violation of Ohio Rev. Code Section 5705.39 which requires appropriations from each fund be limited to total estimated resources.

The Village also expended funds in excess of total estimated resources in violation of Ohio Rev. Code Section 5705.36 which requires that an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend excess revenue.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as State Shared Taxes and Permits. 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.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
First Mortgage Sewer Revenue Bonds	\$ 68,000	4.50%
Ohio Water Development Authority Loan - Sewer Project	\$76,706	7.96%
Ohio Water Development Authority Loan - Sewer Project	776,306	8.09%
Ohio Water Development Authority Loan - Water System Design	47,706	5.54%
Ohio Water Development Authority Loan - Water Plan	13,500	0.00%
Ohio Water Development Authority Loan - Wastewater Plan	9,000	0.00%
Capital Lease - Tractor	1,731	
Total	\$ 924,949	

The First Mortgage Sewer Revenue Bonds were issued April 1, 1965 in the amount of \$255,000 for the purpose of constructing a sanitary sewage system. The bonds were secured by a mortgage on the sanitary sewage system. See Note 10 concerning the payment of this debt through a trustee.

The Ohio Water Development Authority (OWDA) loans for sewer projects relate to the construction, maintenance, and operation of a wastewater treatment plant completed in 1991. The original loans were for \$91,120 and \$984,038, respectively. The loans will be repaid in semiannual installments of \$4,257 and \$46,447, respectively, including interest, over 25 years. The loans are collateralized by revenue generated by the wastewater treatment facility. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements

The OWDA Water System Design loan relates to the planning phase of a new water treatment plant and waterlines. The OWDA has approved up to \$142,295 in loans to the Village for this project. As of December 31, 1999, the Village has received \$47,706 in proceeds from this loan as reflected above. Amortization of this debt has not been included in the schedule below as subsequent repayment will be based upon total amounts which have been drawn down after the loan has been closed.

The OWDA loans for water and wastewater planning also relate to the planning phase of new waterlines and wastewater treatment plants. The original loans were for \$15,000 and \$10,000, respectively. The loans will be paid in annual installments of \$1,500 and \$1,000, including interest, over 10 years. The loans are 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.

During 1996, the Village entered into a lease agreement for a tractor. The original lease was for \$20,777, with a monthly lease payment due of \$433. The lease term is for 48 months with a lease purchase option at the end of the lease in the amount of \$3,926.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows, except as explained in Note 10 concerning the First Mortgage Sewer Revenue Bonds and except for the OWDA Water System Design Loan which has not yet been finalized:

Year ending December 31:	OWDA Sewer Project	OWDA Sewer Project	OWDA Wastewater Plan	OWDA Water Plan	Capital Lease Tractor
2000	\$ 8,513	\$ 92,893	\$ 1,000	\$ 1,500	\$ 1,731
2001	8,513	92,893	1,000	1,500	0
2002	8,513	92,893	1,000	1,500	0
2003	8,513	92,893	1,000	1,500	0
Subsequent	<u>106,417</u>	<u>975,377</u>	<u>5,000</u>	<u>7,500</u>	<u>0</u>
Total	<u>\$ 140,469</u>	<u>\$1,346,949</u>	<u>\$ 9,000</u>	<u>\$13,500</u>	<u>\$ 1,731</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide 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. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

8. INCOME TAX

The Village levied a voted tax of 1 percent for general operations on the income of residents and/or employees who receive a W-2 form from an employer within the Village and on the net profits of businesses located in the Village. Employers are required to withhold income tax on compensation and remit the tax directly to the Village. Taxpayers over the age of 18 are required to file an annual return. The Village maintains a separate Income Tax Fund and income tax receipts are credited to this fund on the Village's ledgers. As discussed in Note 1, the Income Tax Fund activity has been reflected within the General Fund in the accompanying financial statements based upon Frazeytsburg Ordinance No. 91-11 and since income tax proceeds are to be used for general operations of the Village.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

9. RISK MANAGEMENT

The Village is a member of the Ohio Municipal League Joint Self Insurance Pool (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health and life insurance coverage to full-time employees through a private carrier.

10. DEBT SERVICE TRUSTEE FUNDS

The First Mortgage Sewer Revenue Bond agreement required the Village to establish a debt service fund and make periodic payments from this fund to a trustee. At December 31, 1999, the custodian held Village assets with an approximate market value of \$77,000. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements. No further payments are required to be made to the trustee from the Village. The Bonds have a scheduled final maturity date of April 1, 2005.

11. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

12. CHANGE IN ACCOUNTING

The Village changed its method of accounting for income tax monies. These monies were previously accounted for in an Expendable Trust Fund. Beginning in 1998, the Village has classified this activity in the General Fund as required by Article XIV of Frazeytsburg Ordinance No. 91-11. The effect of this change is as follows:

	General Fund	Expendable Trust Fund Type
Fund cash balances originally stated, December 31, 1997	\$9,248	\$1,243
Prior Period Adjustment	<u>1,243</u>	<u>(1,243)</u>
Restated fund cash balances, December 31, 1997	<u>\$10,491</u>	<u>\$0</u>

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

12. CHANGE IN ACCOUNTING (Continued)

	General Fund	Expendable Trust Fund Type
Excess of receipts and other financing sources over (under) disbursements and other financing uses originally stated, December 31, 1997	\$3,150	(\$38,848)
Prior period adjustment	<u>(38,848)</u>	<u>38,848</u>
Restated excess of receipts and other financing sources over (under) disbursements and other financing uses, December 31, 1997	<u><u>(\$35,698)</u></u>	<u><u>\$0</u></u>

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Frazeytsburg
Muskingum County
7 Second Street, P.O. 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, 1999 and 1998 and have issued our report thereon dated March 6, 2001, wherein we noted the Village did not record encumbrances in its budgetary presentation. Except for an inability to obtain sufficient evidence to support income tax receipts, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed certain instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 1999-31060-001 through 1999-31060-012. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 6, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 1999-31060-003 and 1999-31060-009 through 1999-31060-019.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1999-31060-003, 1999-31060-009 through 1999-31060-011 and items 1999-31060-014 through 1999-31060-019 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the Village in a separate letter dated March 6, 2001.

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

Jim Petro
Auditor of State

March 6, 2001

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	1999-31060-001
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Finding For Recovery

1. Village of Frazeytsburg Ordinance No. 01-98, adopted January 12, 1998, abolished the position of Clerk of Courts. Village of Frazeytsburg Ordinance No 04-98, adopted February 24, 1998, abolished the positions of Water/Sewer Clerk, Income Tax Clerk, and Clerk of Courts and combined these positions into the position of Village Office Clerk at an hourly rate of compensation of \$8 per hour. During 1999, the Village Office Clerk, Wendy Wilson (Swinehart-Moran) paid herself an amount of \$36.92 per pay period for 18 pay periods during 1999 for a position identified as "Clerk of Courts" on the Village's payroll ledger. Since the Clerk of Courts duties were included within the position of Village Office Clerk and the Clerk of Courts position was abolished, there was no authorization for the Village Office Clerk to receive additional pay for performing Clerk of Courts duties. As a result, the Village Office Clerk was overcompensated in the amount of \$664.56.

2. Village of Frazeytsburg Ordinance No. 35-98, passed September 14, 1998, adopted an employee manual which established a reimbursement policy for employees and officials attending training seminars. On August 6, 1998, the former Clerk-Treasurer, Wendy Wilson (Swinehart-Moran), received reimbursement for alcoholic beverages and movies in the amount of \$26.90 which were not authorized by Village policy.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public money illegally expended is hereby issued against Wendy Wilson (Swinehart-Moran) and her surety, the Ohio Government Risk Management Plan, jointly and severally, in the amount of \$691.46, in favor of the Village of Frazeytsburg.

Finding Number	1999-31060-002
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Finding for Adjustment

Ohio Rev. Code § 5705.10 requires all revenue derived from a specific source to be credited to a special fund for the purpose for which the monies were received.

Numerous receipts were recorded in improper funds. In addition, certain checks were written and recorded in the cashbook, but never issued. As a result, expenditures were overstated. In accordance with the foregoing facts, and pursuant to Section 117.28, Revised Code, a finding for adjustment is hereby issued against, and in favor of, the following funds, in the following amounts:

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-31060-002 (Continued)
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Finding for Adjustment (Continued)

<u>Fund</u>	<u>Against</u>	<u>In Favor Of</u>
General	\$34,301	\$ 0
Street Construction, Maintenance and Repair	0	15,839
State Highway Improvement	0	1,186
Parks and Recreation	500	0
Street Lighting	10,770	0
Fire Protection	0	3,043
Water Operating	5,803	0
Sewer Operating	0	11,805
Debt Retirement, Capital Improvement	0	6,384
Income Tax	0	11,037
Mayor's Court	0	2,200
Mayor's Court Computerization	0	858

As of the date of this report, Village management was in agreement with the aforementioned adjustment and this adjustment has been posted to the Village's records.

Finding Number	1999-31060-003
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Noncompliance Citation and Material Weakness - Fiscal Officer's Certification

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

Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was appropriated and free of any previous encumbrances, the taxing authority may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000 the fiscal officer may authorize it to be paid without the affirmation of the taxing authority.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-31060-003 (Continued)
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Noncompliance Citation and Material Weakness - Fiscal Officer's Certification (Continued)

The Village's fiscal officer did not certify the availability of funds during the audit period. As a result, certain purchase commitments incurred in one fiscal period were improperly charged against the subsequent fiscal period's appropriations. Without these certifications, the management of the Village lost budgetary control over expenditures and, as more fully explained in Note 4 to the financial statements, this condition allowed noncompliance with Ohio Rev. Code § 5705.41(B) to occur.

We recommend the Village's management implement procedures to gain fiscal control over expenditures. Purchase orders containing the required certification should be utilized to certify the availability of funds prior to commitments being incurred. Appropriations should then be encumbered and balances maintained of unencumbered appropriations. Additional purchase orders should be issued only after the fiscal officer determines that sufficient unencumbered appropriations exist in the amount of the requested purchase.

Finding Number	1999-31060-004
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Noncompliance Citation - Expenditures Limited By Appropriation Authority

Ohio Rev. Code § 5705.41(B) states that no subdivision or taxing unit shall expend any money unless it has been appropriated.

During the year ended December 31, 1999, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$149,323	\$255,184	(\$105,861)
State Highway Fund	4,000	4,612	(612)
Parks and Recreation Fund	0	11,475	(11,475)
Street Lighting Fund	0	11,396	(11,396)
Fire Protection Fund	15,416	19,032	(3,616)
FEMA Fund	0	123,548	(123,548)
Sewer Operating Fund	99,699	104,263	(4,564)
Capital Improvement, Debt Retirement Fund	104,000	105,903	(1,903)
Income Tax Fund	40,360	136,625	(96,265)

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-31060-004 (Continued)
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Noncompliance Citation - Expenditures Limited By Appropriation Authority (Continued)

During the year ended December 31, 1998, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$123,905	\$170,929	(\$47,024)
Street Construction Maintenance and Repair Fund	50,939	73,582	(22,643)
Street Lighting Fund	0	10,561	(10,561)
FEMA Fund	0	29,030	(29,030)
Water Operating Fund	24,173	131,354	(107,181)
Sewer Operating Fund	34,065	100,859	(66,794)

Once the permanent appropriations were approved, management did not adopt additional appropriations later in the year and disbursements eventually exceeded appropriations. In some instances, Village Council could have adopted additional appropriations and avoided negative variances.

We recommend the Village officials consider whether they wish to authorize additional expenditures. If so, they should review the appropriation balances each month and approve appropriation amendments as needed, prior to expending funds in excess of existing appropriations.

Finding Number	1999-31060-005
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Noncompliance Citation - Negative Fund Balances

Ohio Rev. Code § 5705.10 states, in part, that money paid into a fund must be used only for the purposes for which said fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During 1998, the Water, Sewer, Income Tax, and Street Construction, Maintenance, and Repair Funds had negative fund cash balances during the year. During 1999, the General and Street Construction, Maintenance, and Repair Funds had material negative fund cash balances throughout the year. At December 31, 1999 the Village's General Fund had a negative fund cash balance of \$26,714.

We recommend the Village use money paid into a fund only for the allowed purposes of that fund. When cash flow problems arise, monies should be advanced as directed in Auditor of State Bulletin 97-003.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

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

Finding Number	1999-31060-006
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Noncompliance Citation - Appropriations Limited By Estimated Resources

Ohio Rev. Code § 5705.39 requires appropriations from each fund to be limited to total estimated resources.

During the year ended December 31, 1999, appropriations exceeded estimated resources in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
State Highway Improvement Fund	\$0	\$4,000	(\$4,000)
Fire Protection Fund	15,387	15,416	(29)
Capital Improvement, Debt Retirement Fund	53,268	104,000	(50,732)
Income Tax Fund	28,000	40,360	(12,360)

Prior to Council authorizing the original appropriations or approving any amendments, we recommend the Village compare proposed appropriations with the Certificate of Estimated Resources to ensure that the appropriations will not exceed the Village's estimated resources.

Finding Number	1999-31060-007
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Nocompliance Citation - Amended Certificates of Estimated Resources

Ohio Rev. Code § 5705.36 requires that an increased amended certificate be obtained from the Budget Commission if the legislative authority intends to appropriate and expend excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

The Village expended funds in excess of the Amended Official Amount Available for Expenditure and Balances in 1999 and 1998 as certified to the County Auditor and did not obtain increased amended certificates accordingly.

We recommend the Village obtain an Amended Certificate of Estimated Resources from the County Auditor when the Village intends to appropriate amounts in excess of the Official Amount Available for Expenditure and Balances for that year.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-31060-008
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Noncompliance Citation - Security of Public Funds

Ohio Rev. Code §135.18 requires all public funds on deposit with a financial institution in excess of federal deposit insurance to be collateralized by specifically pledged securities or a pool of eligible securities for all public funds. In addition, the treasurer may request no more than four times per year, a statement from its financial institution indicating the amount of public monies deposited by the treasurer and secured by a pool of eligible securities.

During the audit period, the Village did not obtain statements of pooled collateral from its depository to ensure public monies had been appropriately secured resulting in the Village being unable to provide evidence that funds on deposit in excess of \$100,000 had been appropriately secured. This could result in the loss of Village funds should the depository fail.

We recommend the Clerk-Treasurer request statements of eligible securities pledged for the repayment of public monies from its financial institution on a quarterly basis in order to monitor that the Village's funds have been appropriately secured.

Finding Number	1999-31060-009
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Noncompliance Citation and Material Weakness - Appropriations Ledger

Ohio Admin. Code Section 117-5-11 prescribed the method by which the appropriations ledger was to be maintained.

Appropriations were not posted to an appropriation ledger. As a result, expenditures were made without the benefit of legally adopted appropriations and there was no method established whereby Village management could monitor the types of expenditures being made and the year-to-date expenditures made for any particular expenditure function. In addition, an annual report, including a detail of expenditures by account, could not be prepared and it was necessary for the Village management to hire a consultant to reconstruct the Village's ledgers and cash journal.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend the Clerk-Treasurer post appropriation amounts to the appropriations ledger, once appropriations are adopted by Village Council and certified by the Budget Commission. Comparisons of budgeted (appropriated) expenditures to actual expenditures should then be presented to management as a tool to manage the Village. Guidance for maintaining the appropriations ledger is now included in Ohio Admin. Code Section 117-2-02(D)(3), which became effective July 1, 2000.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-31060-010
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Noncompliance Citation and Material Weakness - Cash Journal

Ohio Admin. Code Section 117-5-09 prescribed the method by which the cash journal was to be maintained.

The cash journal maintained by the Village Clerk-Treasurer did not include certain pertinent information, including receipt and appropriation account codes. Individual receipts and receipt numbers were not posted to the cash journal as the former Clerk-Treasurer only posted deposits, in total.

The lack of account codes within the cash journal made the consultant's reconstruction of financial activity difficult. Audit adjustments were required once we performed a detailed analyses of significant transactions.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend the Village follow Ohio Admin. Code Section 117-2-02(D)(1) (effective July 1, 2000), to properly maintain the cash journal.

Finding Number	1999-31060-011
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Noncompliance Citation and Material Weakness - Receipts Ledger

Ohio Admin. Code Section 117-5-10 prescribed the method by which the receipts ledger should have been maintained during this audit period.

A complete receipts ledger was not maintained by the Village during the audit period. As a result, there was no method established whereby Village management could compare budgeted receipts to actual receipts and file any amended certificates of estimated resources when needed. In addition, an annual report, including a detail of receipts by account, could not be prepared and it was necessary for the Village management to hire a consultant to reconstruct the Village's ledgers and cash journal.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend budgeted and actual receipts be posted to the receipts ledger as recommended in Ohio Admin. Code Section 117-2-02(D)(2) (effective July 1, 2000), to provide useful monthly budget vs. actual comparisons to assist management in monitoring Village operations.

Finding Number	1999-31060-012
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Noncompliance Citation and Reportable Condition - Pay-in Orders

Ohio Admin. Code Section 117-5-12 required that when money was received by a Village, a pay-in-order was to be executed. The pay-in-order was to be made in duplicate with the original given to the person making payment after all information had been entered in the spaces provided. The duplicate was to remain in the binding and be used as a posting source to the cash journal.

VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)

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

Finding Number	1999-31060-012 (Continued)
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Noncompliance Citation and Reportable Condition - Pay-in Orders (Continued)

Pay-in-orders were not issued by the Clerk-Treasurer for all amounts received by the Village. As a result, source documentation was not available in many instances to indicate to which account code the revenue should be posted.

Although the aforementioned Ohio Administrative Code Section has been repealed effective January 1, 2001, we recommend the Village Clerk-Treasurer issue pay-in orders in the form and manner previously required by Ohio Admin. Code Section 117-5-12.

Finding Number	1999-31060-013
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Reportable Condition - Timely Deposit of Public Funds

Our review of the various revenue cycles of the Village noted that significant monies collected were not deposited in a timely manner by the Clerk-Treasurer. Numerous instances were noted where significant amounts of Village monies were held in excess of one week. As a result, monies were not adequately safeguarded. Untimely depositing resulted in the Village not earning interest on those monies and increases the likelihood of loss or theft.

We recommend that monies received by the Village be deposited on a timely basis.

Finding Number	1999-31060-014
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Material Weakness - Effective Management

Management has a key role to play in ensuring that the Village establish and maintain effective internal controls. Accordingly, Village management must establish procedures to ensure and document that the Village is complying with applicable legal requirements.

The results of our audit indicated a weakness in management's role to establish and maintain effective internal controls and to ensure and document the Village is complying with legal requirements as evidenced by the material noncompliance citations and material weaknesses included in our report.

We recommend the management of the Village become more actively involved in establishing and monitoring internal controls on a continuing basis. Effective management would include "setting the tone" for Village operations, ensuring employees at all levels understand the purpose and importance of control procedures, providing resources necessary to properly design and maintain the internal control structure, and monitoring Village operations, such as reviewing bank reconciliations and reviewing monthly budget vs. actual financial comparisons. Supervisory reviews should be evidenced by the initials of the person performing the review and the date the review was performed. Review of financial reports by Village Council should be noted in the minutes.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-31060-015
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Material Weakness - Payroll System and Documentation

During our review of the Village's payroll system, we noted the following conditions:

- 1) Personnel files were not established for each employee.
- 2) Time cards were not attached to a payroll voucher.
- 3) Time cards were not signed for approval by supervisory personnel.
- 4) Standard practice of employees writing in hours on time cards when the Village had a time clock. These adjusted hours were not approved by supervisory personnel.
- 5) Payroll ledgers did not contain check numbers.
- 6) Vacation and sick leave records were not maintained.
- 7) Withholdings were not always remitted to the applicable agencies within a reasonable time.
- 8) Copies of quarterly or monthly returns completed for remittance of withholdings were not always attached to the pay voucher or maintained on file by the Village.

These conditions could result in employees being compensated incorrectly, incorrect compensated leave being taken by an employee and/or incorrect payment of accumulated leave to an employee upon termination of employment, late penalties, interest and fees being incurred by the Village, and/or errors in withholdings remitted remaining undetected. The lack of vacation and sick leave records did not allow us to determine compliance with local employee leave ordinances or policies.

We recommend the following:

- 1) Personnel files should be established and maintained for each employee and should contain pertinent information including, but not limited to, tax withholding forms, retirement forms, voluntary deduction forms, approved pay rate information, approved employee contracts, policy acknowledgment forms, and evaluations.
- 2) Supporting time cards should be attached to all payroll vouchers.
- 3) All payments to employees should be supported by employee time sheets and should be reviewed and approved by supervisory personnel.
- 4) Adjustments to hours worked from hours stamped by the time clock onto time cards should be initialed for approval by supervisory personnel.
- 5) Payroll ledgers should be maintained for all employees and should include the check number of each check issued.
- 6) Vacation and sick leave records should be maintained for each employee. These records should document the leave balances at the end of each pay period, the amount of leave earned during the pay period, and the amount of leave used during the period. A leave use authorization form should be completed each time an employee uses leave. Approved leave forms should be maintained for future reference. Since existing leave balances may be in question, Council should determine a method to calculate the existing balances and approve all beginning balances that have been posted to the leave records.
- 7) Taxes, retirement contributions, and other withholdings should be remitted to the applicable agency promptly at the end of each month or quarter depending on the requirements of the individual agency.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-31060-015 (Continued)
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Material Weakness - Payroll System and Documentation (Continued)

- 8) Copies of all monthly and quarterly reports for transmittal of withholdings to each agency should be attached to the pay voucher or maintained on file by the Village. The payroll ledger should indicate the amounts remitted to each agency, the check number, and the check date.

Finding Number	1999-31060-016
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Material Weakness - Monitoring of Income Tax Receipts

Village of Frazeytsburg Ordinance No. 04-98 abolished the position of Income Tax Clerk and combined the duties with those of the Clerk/Treasurer. The combination of these positions has eliminated the segregation of duties between the collection and recording of income tax receipts and no formal controls were implemented in order to compensate for this lack of segregation. In addition, our review of the Village's income tax system for the audit period noted the following:

- 1) Supervisory personnel or committees were not reviewing income tax records. In addition, there was no evidence of a Board of Review, as required by Frazeytsburg Ordinance No. 91-11 Article XIII, performing duties outlined such as adopting procedural rules and maintaining a record of transactions.
- 2) Pre-numbered receipts were not issued for all income tax collections received over the counter.
- 3) Income tax files were not maintained for each taxpayer.
- 4) Income tax records and ledgers were not appropriately reconciled to amounts deposited.
- 5) Procedures were not in place to identify delinquent accounts.

These conditions could allow errors or irregularities to occur and remain undetected and could also allow amounts being due the Village not being collected in a timely manner. These conditions resulted in the limitation on the scope of our audit as procedures could not be performed to gain the necessary audit assurances over income tax receipts.

We recommend the following:

- 1) The Village Council should designate a Board of Review, as required by Frazeytsburg Ordinance No. 91-11, Article XIII, to review records of income taxes collected to compensate for the lack of segregation of duties. The review should be performed to gain assurances that all income tax returns are included in the income tax files and returns were prepared and calculated correctly based upon supporting income documentation. A checklist should be prepared to document this review and returns should be initialed and dated to evidence the review.
- 2) Pre-numbered receipts should be issued for all income tax payments received over the counter. Receipt books should be maintained in a manner that identifies the source and purpose of the payment received so that income tax payments can be readily identified for future reference.
- 3) Income tax files should be established and maintained for each taxpayer and business and should contain all pertinent income tax information including, but not limited to, income tax returns, exemption forms, wage statements, taxpayer account cards, and delinquent correspondence.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-31060-016 (Continued)
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Material Weakness - Monitoring of Income Tax Receipts (Continued)

- 4) Daily deposits of income tax receipts with the bank should be reconciled to daily totals per the Village's income tax system and ledgers and reviewed by supervisory personnel periodically.
- 5) The Village should implement formal procedures, adopted by the Board of Review, to identify delinquent taxpayer accounts of the Village and procedures to collect funds due from these accounts.

Finding Number	1999-31060-017
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Material Weakness - Vouchered Disbursement Documentation

During our review of the Village's disbursement system, we noted the following conditions:

- 1) Invoices were not always attached to vouchers or on file to support the disbursement made.
- 2) Vouchers were not signed by the Finance Committee to indicate approval.
- 3) Invoices were not always marked to indicate the goods or services were received as ordered.
- 4) Invoices were not marked to indicate the invoices were paid when checks were issued.
- 5) Certain check numbers were missing indicating these checks were never issued and "voided".
- 6) We found two instances where checks were issued out of sequence.
- 7) Evidence was not attached to invoices indicating invoices had been recalculated to ensure accuracy.

These conditions did not allow for proper documentation of all disbursements and resulted in overpayments being made to several vendors. These conditions could also result in payments being made for goods not received, unauthorized payments being made, and errors or irregularities occurring and remaining undetected.

We recommend the following:

- 1) Vouchers should not be approved unless invoices are attached.
- 2) Approval of vouchers should be evidenced by signatures of members of the Finance Committee on the voucher.
- 3) When goods are received by the ordering department, the invoice or other document should be initialed to indicate goods were received as ordered.
- 4) Invoices should be canceled or stamped "paid" when payment is made.
- 5) "Voided" checks should be maintained on file by the Clerk-Treasurer.
- 6) Checks should be issued in numerical order.
- 7) Invoices should be recalculated by the Clerk-Treasurer and a calculator tape should be attached to the invoice as evidence this procedure was performed.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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Finding Number	1999-31060-018
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Material Weakness - Monitoring of Utility Receipts

During 1998 the Village passed Ordinance No. 04-98 which abolished the position of Water/Sewer Clerk and combined the duties with those of the Clerk-Treasurer. The combination of these positions has eliminated the segregation of duties between the billing, collection and recording of utility receipts. In order to compensate for this lack of segregation of duties, the Village should formally establish internal control procedures governing the types of reports to be generated and the procedures to be performed on both a daily and monthly basis in regards to the billing and collection of utility revenues. This lack of internal control procedures resulted in inadequate billing and collection records being maintained and errors occurring and remaining undetected. Lack of monitoring procedures could also allow for irregularities to occur and remain undetected within a timely manner.

We recommend Village Council establish internal control procedures for the collection and deposit of utility revenues. Each day the Clerk-Treasurer should reconcile the paid stubs to the amounts collected and deposited for those collections. A calculator tape should be attached to the stubs when they are reconciled to the daily collections, the daily deposit, and the daily utility receipt report. These documents should be periodically reviewed by supervisory personnel and such review should be documented by signatures and dates on documents. Council should also consider establishing procedures for the periodic review of utility billing registers to gain assurances that all customers are being billed at the correct amounts. Monthly receipt reports should be reviewed to gain assurances that collections are consistent with billings, and delinquency reports should be reviewed to gain assurances that actions are being taken to collect amounts due to the Village. Whenever these control procedures are performed, the reviews should be documented by signatures and dates of the person/committee performing the review.

Finding Number	1999-31060-019
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Material Weakness - Monitoring of Village Financial Activity

The size of the Village's staff did not allow for an adequate segregation of duties; the Village Clerk-Treasurer and assistant performed all accounting functions, including receipting, depositing, disbursing, and reconciling Village monies. It is therefore important that Council function as a finance and audit committee to monitor financial activity closely and to follow up on any audit findings.

While the Council approved a listing of bills for payment, there was no documentation of the extent to which the Council reviewed financial information to monitor the financial activity of the Village. This resulted in inadequate records being maintained and errors occurring and remaining undetected for an extended period of time. This could also result in fraudulent activities occurring and remaining undetected.

VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998
(Continued)

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

Finding Number	1999-31060-019 (Continued)
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Material Weakness - Monitoring of Village Financial Activity (Continued)

We recommend that, after the Village Clerk-Treasurer has performed the monthly bank reconciliation, Council review the validity of the computations and attest to its accuracy. Also, Council should carefully review and approve pertinent financial information, such as the 1) Receipts Ledger, 2) Appropriations Ledger, 3) Cash Journal, 4) Budget vs. Actual Reports, 5) Payroll Journal and 6) Check Register, on a monthly basis, and make appropriate inquiries to help determine the continued integrity of financial information. Appropriate inquiries would include:

- Are current receipts sufficient to cover expenditures?
- Are actual receipts and expenditures in line with the budget?
- Are receipts and expenditures in line with prior years?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted for?
- Are anticipated receipts being received in a timely manner?

The information obtained as a result of such reviews and inquiries will provide important data necessary to properly manage the Village. The Village Clerk-Treasurer, Council and Mayor should become familiar with the Ohio Compliance Supplement, which has been provided to the Village, and use this as a tool to assist them in complying with applicable Ohio laws and regulations.



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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
APRIL 17, 2001**