

***VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Village Council
Village of Frazzeysburg
7 Second Street P.O.
Box 160
Frazzeysburg, Ohio 43822

We have reviewed the *Report of Independent Accountants* of the Village of Frazzeysburg, Muskingum County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2003 through December 31, 2004. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 Frazzeysburg 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

August 22, 2008

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**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2004 & 2003**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Frazeytsburg
Muskingum County
7 W. 2nd 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, 2004 and 2003. 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 that 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004, 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, 2004, or its 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 reserves for encumbrances of the Village of Frazeyburg, Muskingum County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 July 24, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village's financial statements. The accompanying schedule of expenditures of federal awards for 2004 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Village. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Charles E. Harris & Associates, Inc.
July 24, 2008

VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2004

	Governmental Fund Types		Total - (Memorandum Only)
	General	Special Revenue	
Receipts:			
Property and Local Taxes	\$ 44,310	\$ 44,919	\$ 89,229
Municipal Income Tax	168,851	-	168,851
Intergovernmental	28,255	549,514	577,769
Special Assessments	-	36,711	36,711
Charges for Services	13,596	-	13,596
Fines, Licenses and Permits	23,194	-	23,194
Miscellaneous	22,330	-	22,330
Total Receipts	300,536	631,144	931,680
Disbursements:			
Security of Persons & Property	93,661	77,048	170,709
Leisure Time Activities	29,091	2,228	31,319
Transportation	-	29,907	29,907
General Government	114,151	-	114,151
Capital Outlay	-	1,164,704	1,164,704
Debt Service:			
Principal	-	481,356	481,356
Interest	-	134	134
Total Disbursements	236,903	1,755,377	1,992,280
Total Receipts Over/(Under) Disbursements	63,633	(1,124,233)	(1,060,600)
Other Financing Sources/(Uses):			
Loan Proceeds	-	1,169,000	1,169,000
Transfers-In	-	5,000	5,000
Transfers-Out	(9,185)	-	(9,185)
Other Financing Sources	-	510	510
Other Financing Uses	(7,450)	-	(7,450)
Total Other Financing Sources/(Uses)	(16,635)	1,174,510	1,157,875
Excess of Receipts and Other Sources Over/(Under) Disbursements and Other Uses	46,998	50,277	97,275
Fund Cash Balance, January 1, 2004	5,377	61,558	66,935
Fund Cash Balance, December 31, 2004	\$ 52,375	\$ 111,835	\$ 164,210
Reserve for Encumbrances, December 31, 2004	\$ 7,756	\$ 1,049	\$ 8,805

See Accompanying Notes to the Financial Statements.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES ·
Proprietary Fund Types and Similar Fiduciary Fund Type
For the Year Ended December 31, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total - (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Receipts:			
Charges for Services	\$ 541,206	\$ -	\$ 541,206
Total Receipts	541,206	-	541,206
Disbursements:			
Personal Services	84,053	-	84,053
Employee Fringe Benefits	35,502	-	35,502
Contractual Services	60,193	-	60,193
Materials and Supplies	228,555	-	228,555
Other	1,450	-	1,450
Total Disbursements	409,753	-	409,753
Excess of Receipts Over (Under) Disbursements	131,453	-	131,453
Nonoperating Receipts (Disbursements):			
Miscellaneous Receipts	324	-	324
Loan Proceeds	141,958	-	141,958
Redemption of Principal	(135,407)	-	(135,407)
Interest and Other Fiscal Charges	(71,248)	-	(71,248)
Other Financing Sources	-	32,355	32,355
Other Financing Uses	(14,848)	(24,865)	(39,713)
Total Nonoperating Receipts (Disbursements)	(79,221)	7,490	(71,731)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Transfers and Advances	52,232	7,490	59,722
Transfers-In	4,185	-	4,185
Fund Balance, January 1, 2004	37,044	1,860	38,904
Fund Balance, December 31, 2004	\$ 93,461	\$ 9,350	\$ 102,811
Reserve for Encumbrances, December 31, 2004	\$ 9,827	\$ 585	\$ 10,412

See Accompanying Notes to the Financial Statements.

VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2003

	<u>Governmental Fund Types</u>		<u>Total -</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
Receipts:			
Property and Local Taxes	\$ 24,593	\$ 39,047	\$ 63,640
Municipal Income Taxes	147,595	-	147,595
Intergovernmental	24,012	26,617	50,629
Special Assessments	-	36,072	36,072
Fines, Licenses and Permits	10,007	-	10,007
Miscellaneous	34,448	-	34,448
	<u>240,655</u>	<u>101,736</u>	<u>342,391</u>
Total Receipts	240,655	101,736	342,391
Disbursements:			
Security of Persons & Property	83,380	87,660	171,040
Leisure Time Activities	-	928	928
Transportation	-	18,679	18,679
General Government	108,843	-	108,843
Debt Service:			
Principal	6,675	7,435	14,110
Interest	1,119	1,652	2,771
	<u>200,017</u>	<u>116,354</u>	<u>316,371</u>
Total Disbursements	200,017	116,354	316,371
Total Receipts Over/(Under)			
Disbursements	40,638	(14,618)	26,020
Other Financing Sources/(Uses):			
Transfers-Out	(11,775)	-	(11,775)
Advances-In	2,250	1,250	3,500
Advances-Out	(2,250)	(1,250)	(3,500)
Other Financing Uses	(139)	(92)	(231)
Total Other Financing Sources/(Uses)	<u>(11,914)</u>	<u>(92)</u>	<u>(12,006)</u>
Excess of Receipts and Other			
Sources Over/(Under) Disbursements			
and Other Uses	28,724	(14,710)	14,014
Fund Cash Balance, January 1, 2003	<u>(23,347)</u>	<u>76,268</u>	<u>52,921</u>
Fund Cash Balance, December 31, 2003	<u>\$ 5,377</u>	<u>\$ 61,558</u>	<u>\$ 66,935</u>
Reserve for Encumbrances, December 31, 2003	<u>\$ 31,246</u>	<u>\$ 2,423</u>	<u>\$ 33,669</u>

See Accompanying Notes to the Financial Statements.

VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES -
Proprietary Fund Types and Similar Fiduciary Fund Type
For the Year Ended December 31, 2003

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total - (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency Fund</u>	
Receipts:			
Charges for Services	\$ 345,899	\$ -	\$ 345,899
Miscellaneous	16,880	-	16,880
Total Receipts	362,779	-	362,779
Disbursements:			
Personal Services	67,823	-	67,823
Employee Fringe Benefits	23,126	-	23,126
Contractual Services	67,393	-	67,393
Materials and Supplies	64,973	-	64,973
Other	1,631	-	1,631
Total Disbursements	224,946	-	224,946
Excess of Receipts Over (Under) Disbursements	137,833	-	137,833
Nonoperating Receipts (Disbursements):			
Loan Proceeds	15,989	-	15,989
Redemption of Principal	(59,524)	-	(59,524)
Interest and Other Fiscal Charges	(67,049)	-	(67,049)
Other Financing Sources	-	23,528	23,528
Other Financing Uses	(1,374)	(25,655)	(27,029)
Total Nonoperating Receipts (Disbursements)	(111,958)	(2,127)	(114,085)
Excess of Receipts and Nonoperating Receipts Over (Under) Disbursements and Nonoperating Disbursements Before Transfers and Advances	25,875	(2,127)	23,748
Tranfers and Advances:			
Transfers-In	47,157	-	47,157
Transfers-Out	(35,382)	-	(35,382)
Advances-In	1,000	-	1,000
Advances-Out	(1,000)	-	(1,000)
Total Transfers and Advances	11,775	-	11,775
Fund Balance, January 1, 2003	(606)	3,987	3,381
Fund Balance, December 31, 2003	\$ 37,044	\$ 1,860	\$ 38,904
Reserve for Encumbrances, December 31	\$ 19,070	\$ -	\$ 19,070

See Accompanying Notes to the Financial Statements.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

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. 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 (security of persons and property). The Village appropriates local property tax money for a volunteer fire department.

The Village's management believes these financial statements included in this report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control. Debt service transactions relating to the First Mortgage Sewer Revenue Bonds are maintained by a Trustee and are not included in these financial statements. Assets held by the Trustee are described in Note 9 to the financial statements.

B. BASIS OF ACCOUNTING

The Village prepares its financial statements following 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.)

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

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING

The Village maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds.

The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Village. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

- Street Construction Maintenance and Repair Fund- Receives Motor vehicle and gasoline taxes for constructing, maintaining and repairing Village roads.
- Street Lighting Fund- Receives a special property tax levy to pay for Village street lighting.
- Fire Levy Fund- Receives a property tax levy to support a volunteer fire department and to provide fire protection services.
- State Grant Fund- Receives state grants and OWDA loans for the water system improvements.

Proprietary Fund Types:

Enterprise Funds: To account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

The Village has the following significant Enterprise Funds:

- Water Operating Fund- Receives user fees and provides for the operations of the water department.
- Sewer Operating Fund- Receives user fees and provides for the operation of the sewer system.
- Sewer Debt Reserve Fund- Receives sewer surcharges for repayment of loans incurred in planning, construction, and operation of the Village's sewer system.

Fiduciary Fund Type: This fund is used to account for custodial funds held by the Village acting as an agent for another government, organization, individual or fund. The Village had the following Fiduciary Fund:

Agency Fund:

- Mayor's Court- Receives fines which are distributed to the Village's general fund, State, and local entities.

F. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Clerk, approved by the Village Council, and submitted to the county auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Village. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Village. The certificate is approved by the county budget commission and sent to the Village Clerk by September 1.

Prior to December 31, the Village must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. BUDGETARY PROCESS - (Continued)

On or about January 1, the Clerk sends the county auditor a certificate, which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Clerk identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2003 and 2004. However, those fund balances are available for appropriation.

2. Appropriations

A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by March 31 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

3. Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding year without being re-appropriated.

G. PROPERTY, PLANT AND EQUIPMENT

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	<u>\$267,021</u>	<u>\$105,839</u>

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village, or (3) collateralized by the financial institution's public entity deposit pool.

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2004.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Village by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Village. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

3. PROPERTY TAXES - Continued

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

<u>2004 Budgeted vs Actual Receipts</u>			
<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 297,087	\$ 300,536	\$ 3,449
Special Revenue Funds	1,924,649	1,805,654	(118,995)
Enterprise Funds	726,704	687,673	(39,031)

<u>2004 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 301,625	\$ 261,294	\$ 40,331
Special Revenue Funds	919,071	1,756,426	(837,355)
Enterprise Funds	467,931	641,083	(173,152)

<u>2003 Budgeted vs Actual Receipts</u>			
<u>Fund:</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General Fund	\$ 468,233	\$ 242,905	\$ (225,328)
Special Revenue Funds	110,861	102,986	(7,875)
Enterprise Funds	451,715	426,925	(24,790)

<u>2003 Budgeted vs Actual Budgetary Basis Expenditures</u>			
<u>Fund:</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 325,000	\$ 245,427	\$ 79,573
Special Revenue Funds	105,000	120,119	(15,119)
Enterprise Funds	330,000	408,345	(78,345)

The Village was in violation of Ohio Revised Code Section 5705.41(B), which requires expenditures not exceed appropriations.

Contrary to Ohio Revised Code Section 5705.41(D)(1), the fiscal officer's certification of the availability of unencumbered appropriations for expenditures was not made prior to purchase commitments being incurred.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

5. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police & Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are state operated, cost sharing, multiple employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. Members of OP&F contributed 10.0% of their gross pay, while the Village contributed 19.5%. OPERS members contributed 8.5% of their gross pay while the Village contributed an amount equal to 13.55% of covered payroll. The Village paid all required contributions through 2004.

6. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan ("the Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments.

Pursuant to Section 2744 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 for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and Member's Equity at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	<u>2,748,639</u>	<u>2,227,808</u>
Retained Earnings	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</u>

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

6. RISK MANAGEMENT – Continued

All employees of the Village are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

The Village pays the State Worker’s Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. Also, the Village did not reduce its insurance coverages significantly during the year.

7. DEBT

Debt outstanding at December 31, 2005 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Revenue Bonds	\$ 12,000	4.50%
Ohio Water Development Authority Loan #1573	62,593	7.96%
Ohio Water Development Authority Loan #1572	599,463	8.09%
Ohio Water Development Authority Loan #2729	6,000	0.00%
Ohio Water Development Authority Loan #2730	4,000	0.00%
Ohio Water Development Authority Loan #3951	1,179,672	1.83%
Ohio Water Development Authority Loan #4163	122,166	5.06%
Ohio Public Works Commission	28,959	2.00%
Capital Lease-Equipment	14,459	5.75%
Total	<u>\$2,029,312</u>	

\$24,000 of debt payments related to the Sewer Mortgage Revenue Bonds were made from trusteed funds. See Note 9.

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

VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003

7. DEBT – Continued

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 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.

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 capital lease for the skid steer represents a lease purchase agreement, entered into in 2001, between the Village and Case Credit, for a skid steer to be used by the Village for municipal operations. The original amount of the agreement was for \$55,042. Payments are made in annual installments of \$15,793 including interest, over 5 years. The Village has the option to purchase the equipment by paying the termination value on the due date of each year.

The OWDA loan #3951 was for water system improvements and also retired OWDA loans #3308 and #3180 in the amounts of \$301,158 and \$177,700 respectively. The original loan was for \$1,169,000 and the schedule above includes interest capitalized on this loan. This loan was paid off with a balloon payment in October 2005 financed with a new loan from the U.S. Department of Agriculture. 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.

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, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

7. DEBT - (Continued)

Principal and interest requirements for debt outstanding at December 31, 2004 is as follows:

<u>Year Ended</u>	Sewer Mortgage Bonds	OWDA #1573	OWDA #1572	OWDA #2729	OWDA #2730	OWDA #3951	OWDA #4163	OPWC	Capital Lease
2005	\$12,540	\$ 8,514	\$ 92,894	\$1,500	\$1,000	\$1,195,262	\$ 11,992	\$ 2,175	\$15,793
2006	-	8,514	92,894	1,500	1,000	-	11,992	2,175	-
2007	-	8,514	92,894	1,500	1,000	-	11,992	2,175	-
2008	-	8,514	92,894	1,500	1,000	-	11,992	2,175	-
2009	-	8,514	92,894	-	-	-	11,992	2,175	-
2010-2014	-	42,570	418,023	-	-	-	59,960	10,875	-
2015-2019	-	17,027	-	-	-	-	53,964	10,875	-
2020-2024	-	-	-	-	-	-	-	3,262	-
Total	\$12,540	\$102,167	\$882,493	\$6,000	\$4,000	\$1,195,262	\$173,884	\$35,887	\$15,793

8. INCOME TAX

The Village levies an income tax of 1.00 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.

9. DEBT SERVICE TRUSTEED FUNDS

The First Mortgage Sewer Revenue Bond agreement required the Village to establish a debt service fund to make periodic payments from this fund to a trustee. At December 31, 2004 the Trustee held Village assets with an approximate fair value of \$24,000. These assets and the related receipts and disbursements are not reflected in the accompanying financial statements. No further payments were required to be made from the Village to the Trustee.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2004 and 2003**

10. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

The Village increased water and sewer rates in 2005 and 2006 to provide for the retirement of debt associated with certain improvements to the water and sewer system.

In September 2005, the Village refinanced \$1,169,000 of OWDA debt using mortgage revenue bonds. In the same month, they refinanced those mortgage revenue bonds using USDA federal loans.

Management believes there are no pending claims or lawsuits.

VILLAGE OF FRAZEYSBURG
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004

Federal Grantor/Program Title	Grant #	CFDA #	Program Expenditures
<i>U.S. Department of Agriculture:</i>			
Rural Development :			
Water and Waste Disposal Systems for Rural Communities	41-060-0316400487	10.760	\$ 1,169,000
Water and Waste Disposal Systems for Rural Communities	4	10.760	400,660
Water and Waste Disposal Systems for Rural Communities	7	10.760	79,590
Total Rural Development			<u>1,649,250</u>
Total U.S. Department of Agriculture			<u>1,649,250</u>
Total Federal Assistance			<u>\$ 1,649,250</u>

See accompanying Note to the Schedule of Federal Awards Expenditures

VILLAGE OF FRAZEYSBURG
Muskingum County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Frazeytsburg
Muskingum County
7 W. 2nd Street
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, 2004 and 2003, and have issued our report thereon dated July 24, 2008, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 an opinion 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 judgment, 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 audit findings as items 2004-FRAZE-03, 2004-FRAZE-06 and 2004-FRAZE-07.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above to be material weaknesses.

We also noted other matters involving internal control over financial reporting that we have reported to management of the Village in a separate letter dated July 24, 2008.

Compliance and Other Matters

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, grant agreements and other matters, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of audit findings as Findings 2004-FRAZE-01 thru 2004-FRAZE-05.

We also noted other matters regarding compliance that we have reported to management of the Village in a separate letter dated July 24, 2008.

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

Charles E. Harris and Associates, Inc.
July 24, 2008

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Village of Frazeytsburg
Muskingum County
7 W. 2nd Street PO Box 160
Frazeytsburg, Ohio 43822

To the Village Council:

Compliance

We have audited the compliance of the Village of Frazeytsburg, Muskingum County (Village) with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, Village Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.
July 24, 2008

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2004 and 2003**

Schedule of Findings and Questioned Costs

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. Three reportable conditions were disclosed during the audit of the financial statements of the Village (2004-FRAZE-03, 06 and 07). These reportable conditions were identified as material weaknesses.
3. Five instances of noncompliance material to the financial statements of the Village were disclosed during the audit (2004-FRAZE-01 thru 05).
4. No reportable condition in internal control over major programs was disclosed.
5. The auditor's report on compliance for the major federal award program for the Village expresses an unqualified opinion.
6. No findings required to be reported under Section .510(a) of OMB Circular A-133.
7. The program tested as a major program was Water and Waste Disposal Systems for Rural Communities CFDA #10.760.
8. The dollar threshold for distinguishing Type A and Type B programs was \$300,000.
9. The Village was not determined to be a low-risk auditee.

B. Findings-Financial Statement Audit

Finding Number 2004-FRAZE-01-Noncompliance Citation

Ohio Revised Code Section 2743.79 requires the court in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose either a thirty dollar felony or a nine dollar misdemeanor court cost to be transmitted on or before the first day of the month to the Treasurer of State, Reparations Fund. Ohio Revised Code 2949.091 requires an additional sum of eleven dollars in court costs be imposed in these cases, to be transmitted on or before the twentieth day of the following month to the Treasurer of State, General Revenue Fund.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2004 and 2003**

Schedule of Findings and Questioned Costs-Continued

Finding Number 2004-FRAZE-01-Noncompliance Citation-Continued

The Village did not transmit \$4,280 of court costs due the Treasurer of State for 2003 until December 2003. Court costs of \$3,312 due the Treasurer of State for 2004 were not transmitted until January 2005.

We recommend the Mayor's Court Clerk transmit the appropriate court costs to the Treasurer of State at the appropriate time and to the appropriate funds.

Management indicated they concurred and have corrected this problem.

Finding Number 2004-FRAZE-02-Noncompliance Citation

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

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

- Mayor's Court reports were presented to the Council monthly. However, remittances were not made monthly to the Village's General Fund or to the State of Ohio.
- A cashbook was not maintained nor was a separate bank account maintained after December 31, 2003.
- Separate ledger accounts were maintained in an agency fund which accounted for the activity of the court. However, these accounts included operating expenditures of the Mayor's Court such as salaries, supplies, and computer software and equipment, which should be included in the General Fund.

These weaknesses could allow recording errors and irregularities to occur and remain undetected. Adjustments were made to the Village's books to properly reflect the activity of the Mayor's Court.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2004 and 2003**

Schedule of Findings and Questioned Costs-Continued

Finding Number 2004-FRAZE-02-Noncompliance Citation-Continued

We recommend the Village reestablish a separate bank account for the Mayor's Court and distribute fines collected by the Village's Mayor's Court to the Village's General Fund and other applicable agencies by the required dates. In addition, we recommend that only distributions of Mayor's Court collections be made from the Mayor's Court Fund. Costs associated with operating the Mayor's Court should be paid out of the General Fund.

Management indicated they concurred and would make the necessary changes.

Finding Number 2004-FRAZE-03-Noncompliance Citation and Material Weakness

Ohio Revised Code Section 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the Fiscal Officer attached. The Fiscal Officer must certify that the amount required for the order or contract 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 encumbrances.

There are several exceptions to the basic requirement stated above, one of which is provided for in section 5705.41(D)(1) of the 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 she is completing her 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of such certificate to approve payment by resolution or ordinance.

Amounts less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the Fiscal Officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

During our test of expenditures we found that expenditures were made without the Fiscal Officer's certificate. None of the items tested had the required certification. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2004 and 2003**

Schedule of Findings and Questioned Costs-Continued

Finding Number 2004-FRAZE-03-Noncompliance Citation/Material Weakness – Continued

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

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Management indicated they concurred and will implement the recommended changes.

Finding Number 2004-FRAZE-04-Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated as provided in such chapter. Furthermore, Ohio Administrative Code 117-2-02 states that all local public offices should integrate the budgetary accounts at the legal level of control, which is the object level for all funds. The following funds had total expenditures plus encumbrances expended money in excess of appropriations:

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2004 and 2003**

Schedule of Findings and Questioned Costs-Continued

Finding Number 2004-FRAZE-04-Noncompliance Citation - Continued

2004

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Special-State Grant	\$800,000	\$1,164,704	\$(364,704)
Special-Fire	\$46,000	\$49,919	\$ (3,919)
Enterprise-Water	\$153,933	\$221,286	\$ (67,353)
Enterprise-Sewer	\$210,974	\$305,409	\$ (94,435)
Enterprise-Debt Service	\$100,000	\$114,387	\$ (14,387)

2003

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Variance</u>
Special-Fire	\$ 42,000	\$66,714	\$(24,714)
Enterprise-Water	\$100,000	\$119,435	\$(19,435)
Enterprise-Sewer	\$100,000	\$106,160	\$ (6,160)
Enterprise-Sewer Debt	\$ -	\$38,406	\$(38,406)

Since these funds were over appropriated at the fund level, the legal level of control violations were not disclosed.

We recommend Council and the Fiscal Officer compare expenditures to appropriations periodically. If additional appropriations are needed, then the Council and the Fiscal Officer should take the necessary steps to adopt supplemental appropriations, if possible to prevent expenditures from exceeding appropriations.

Management agrees and will monitor expenditures compared to appropriations.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2004 and 2003**

Schedule of Findings and Questioned Costs-Continued

Finding Number 2004-FRAZE-05-Noncompliance Citation

Ohio Revised Code Section 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. Although inter-fund cash advances may be a desirable method of resolving cash flow problems without the necessity of incurring additional interest expense for short-term loans, the intent of this type of cash advance is to require repayment within the current or succeeding year and cash advances are subject to the following requirements:

- Any advance must be clearly labeled as such, and must be distinguished from a transfer;
- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
- The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement; and
- Advances must be approved by a formal resolution of the taxing authority of the subdivision (Village Council) which must include both a specific statement that the transaction is an advance of cash and an indication of the money (fund) from which it is expected that repayment will be made.

The Village made inter-fund advances during 2003 without a formal resolution. The Village corrected this practice in 2004.

Finding Number 2004-FRAZE-06-Material Weakness

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. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity’s records. This process involves reconciling the bank balance to the cash and investment balance. For January 1, 2003 through December 31, 2004, the Village did not resolve various differences between the adjusted bank balance and the balance reflected within the Village’s accounting records. These differences were identified on the bank reconciliations as “Other Adjusting Factors”. The annual reports for these years were filed with the Auditor of State with these unresolved differences.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
OMB CIRCULAR A-133 SECTION .505
December 31, 2004 and 2003**

Schedule of Findings and Questioned Costs-Continued

Finding Number 2004-FRAZE-06-Material Weakness - Continued

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.

The Village should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each monthly bank reconciliation and the listing of outstanding checks 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 indicated they concurred and will implement the necessary changes.

Finding Number 2004-FRAZE-07-Material Weakness

Budgetary entries in the UAN system for appropriations did not agree to amounts passed by Village Council. Budgetary entries for estimated receipts did not agree with the Official Certificate of Estimated Resources. Therefore, the Village management could not properly monitor Village expenditures and receipts or budgetary compliance.

We recommend that the Clerk post all budgetary information to the computer system on a regular basis. This will enhance the Village's ability to monitor all budgetary receipts and expenditures in comparison to actual receipts and expenditures.

Management indicated they concurred and will implement the necessary changes.

**C. Findings and Questioned Costs- Water and Waste Disposal Systems, CFDA
10.760**

None.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	ORC 2743.70/2949.091 Mayor's Court fines not transferred to State	No	Repeated as Finding 2004-FRAZE-01
2002-002	ORC 5705.10 – Receipts posted to wrong accounts	Yes	Corrected
2002-003	ORC 5705.10 – Improper advances between funds	Yes	Repeated as 2004-FRAZE-05
2002-04	ORC 5705.41(D) – Failure to certify funds	No	Repeated as Finding 2004-FRAZE-03
2002-05	ORC 5705.36 – Available balances not certified to County Auditor on time	Yes	Corrected
2002-06	ORC 733.40 – Mayor's Court fines not transferred to General Fund	No	Repeated as Finding 2004-FRAZE-02
2002-07	ORC 5705.41(B) – Expenditures exceeded appropriations	No	Repeated as Finding 2004-FRAZE-04
2002-08	ORC 5705.39 – Appropriations exceeded available resources	Yes	Corrected
2002-09	ORC 5705.36 – Amended certificates of estimated resources not obtained	Yes	Corrected
2002-10	ORC 731.16 – Contract not properly modified	Yes	Corrected

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Years Ended December 31, 2004 and 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-11	ORC 5705.14 – Transfers not approved	Yes	Corrected
2002-12	Material Weakness – Budgetary and financial monitoring not performed	Yes	Corrected
2002-13	Reportable Condition – Utility and income tax receipts not reconciled	Yes	Corrected
2002-14	Material Weakness – Bank reconciliations not properly performed	No	Repeated as Finding 2004-FRAZE-06
2002-15	Material Weakness – Appropriations not posted properly to ledger	No	Repeated as Finding 2004-FRAZE-07
2002-16	Material Weakness – Budgetary receipts not posted properly to ledger	No	Repeated as Finding 2004-FRAZE-07
2002-17	Material Weakness – Payroll withholdings not allocated properly between funds and various other deficiencies related to payroll	Yes	Corrected



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
SEPTEMBER 4, 2008