

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY  
Regular Audit  
December 31, 2006  
Single Audit  
December 31, 2005**

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





# Mary Taylor, CPA

Auditor of State

Village Council  
Village of Frazeytsburg  
68 North State St.  
Frazeytsburg, Ohio 43822

We have reviewed the *Independent Accountants' Report* of the Village of Frazeytsburg, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Frazeytsburg is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 16, 2008

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**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

November 24, 2008

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, 2006 and 2005. 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 paragraph six, 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' *Governmental Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of the State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the third following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005 or their changes in financial position or cash flows for the year then ended.

We were unable to determine the completeness, occurrence, allocation, and rights and obligations of Fees, Fines and Permits recorded in the General Fund and the Other non-operating receipts and disbursements in the Mayor's Court Fund, a Fiduciary Fund Type during 2005, nor were we able to satisfy ourselves as to those receipts by other auditing procedures. These Fees, Fines and Permits revenues represent 9.36 percent of revenues received into the General Fund and Other non-operating receipts and disbursements represent 100 percent of the Mayor's Court Fund of the Village for the year ended December 31, 2005.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary, had we been able to obtain the information and documentation to support Fees, Fines and Permits revenues in the General Fund and Other non-operating receipts and disbursements in the Mayor's Court Fund for the year ended December 31, 2005, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Village of Frazzeysburg, Muskingum County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements 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, 2006 and 2005. The Government 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 November 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements. The Federal Awards Expenditures Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the Village's financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Respectfully Submitted,



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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 35,036	\$ 57,532	\$ 92,568
Municipal Income Tax	145,155	-	145,155
Intergovernmental Receipts	32,793	51,746	84,539
Special Assessments	-	519	519
Charges for Services	19,392	-	19,392
Fines, Licenses, and Permits	23,648	1,330	24,978
Earnings on Investments	8,197	523	8,720
Miscellaneous	3,002	-	3,002
	<u>267,223</u>	<u>111,650</u>	<u>378,873</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	96,092	75,154	171,246
Public Health Service	174	-	174
Leisure Time Activities	33,635	100	33,735
Transportation	-	33,055	33,055
General Government	111,506	2,334	113,840
Debt Service:			
Redemption of Principal	1,605	-	1,605
Interest and Fiscal Charges	569	-	569
	<u>243,581</u>	<u>110,643</u>	<u>354,224</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Disbursements	<u>23,642</u>	<u>1,007</u>	<u>24,649</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-Out	(8,595)	-	(8,595)
Advances-Out	(4,644)	-	(4,644)
Other Financing Uses	(7,500)	-	(7,500)
	<u>(20,739)</u>	<u>-</u>	<u>(20,739)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	2,903	1,007	3,910
Fund Cash Balances, January 1	<u>40,290</u>	<u>57,921</u>	<u>98,211</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 43,193</b></u>	<u><b>\$ 58,928</b></u>	<u><b>\$ 102,121</b></u>
Reserve for Encumbrances, December 31	<u>\$ 805</u>	<u>\$ -</u>	<u>\$ 805</u>

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 594,049	-	\$ 594,049
Total Operating Cash Receipts	<u>594,049</u>	<u>-</u>	<u>594,049</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	98,341	-	98,341
Fringe Benefits	42,526	-	42,526
Contractual Services	136,357	-	136,357
Material and Supplies	205,211	-	205,211
Other	1,854	-	1,854
Total Operating Cash Disbursements	<u>484,289</u>	<u>-</u>	<u>484,289</u>
Operating Income (Loss)	<u>109,760</u>	<u>-</u>	<u>109,760</u>
<b>Non-Operating Receipts/Disbursements</b>			
Proceeds From Sale of Debt	75,622	-	75,622
Intergovernmental	7,150	-	7,150
Other Non-Operating Cash Receipts	-	28,802	28,802
Other Non-Operating Cash Disbursements	-	(29,234)	(29,234)
Redemption of Principal	(60,485)	-	(60,485)
Interest and Other Fiscal Charges	(99,329)	-	(99,329)
Other Financing Sources	50	-	50
Other Financing Uses	(5,000)	-	(5,000)
Total Non-Operating Cash Receipts/Disbursement	<u>(81,992)</u>	<u>(432)</u>	<u>(82,424)</u>
Excess of Operating Receipts and Non-operating Receipts Over (Under) Operating Disbursements and Non-operating Disbursements Before Transfers and Advances	27,768	(432)	27,336
Transfers-In	59,128	-	59,128
Transfers-Out	(50,533)	-	(50,533)
Advances-In	4,644	-	4,644
Net Receipts Over/(Under) Disbursements	13,239	-	13,239
Fund Cash Balances, January 1	<u>82,877</u>	<u>432</u>	<u>83,309</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 123,884</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 123,884</b></u>

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$ 28,100	\$ 48,674	\$ 76,774
Municipal Income Tax	137,736	-	137,736
Intergovernmental Receipts	38,776	48,767	87,543
Special Assessments	-	1,565	1,565
Charges for Services	23,152	-	23,152
Fines, Licenses, and Permits	33,530	-	33,530
Earnings on Investments	6,247	-	6,247
	<u>267,541</u>	<u>99,006</u>	<u>366,547</u>
<b>Total Cash Receipts</b>			
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	113,993	69,981	183,974
Leisure Time Activities	35,110	-	35,110
Community Environment	-	21	21
Transportation	-	34,806	34,806
General Government	119,732	-	119,732
Capital Outlay	15,500	-	15,500
Debt Service:			
Principal Payments	791	5,500	6,291
Interest Payments	296	-	296
	<u>285,422</u>	<u>110,308</u>	<u>395,730</u>
<b>Total Cash Disbursements</b>			
Total Cash Receipts Over/(Under) Disbursements	<u>(17,881)</u>	<u>(11,302)</u>	<u>(29,183)</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Other Financing Sources	5,270	181	5,451
Other Financing Uses	<u>(5,543)</u>	<u>-</u>	<u>(5,543)</u>
	<u>(273)</u>	<u>181</u>	<u>(92)</u>
<b>Total Other Financing Receipts/(Disbursements)</b>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(18,154)	(11,121)	(29,275)
Fund Cash Balances, January 1 (restated see note #2)	<u>58,444</u>	<u>69,042</u>	<u>127,486</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ 40,290</b></u>	<u><b>\$ 57,921</b></u>	<u><b>\$ 98,211</b></u>
Reserve for Encumbrances, December 31	<u>\$ 902</u>	<u>\$ 56</u>	<u>\$ 958</u>

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 411,526	\$ -	\$ 411,526
Total Operating Cash Receipts	<u>411,526</u>	<u>-</u>	<u>411,526</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	98,881	-	98,881
Fringe Benefits	50,759	-	50,759
Contractual Services	129,495	-	129,495
Material and Supplies	61,049	-	61,049
Capital Outlay	576,896	-	576,896
Other	1,518	-	1,518
Total Operating Cash Disbursements	<u>918,598</u>	<u>-</u>	<u>918,598</u>
Operating Income (Loss)	<u>(507,072)</u>	<u>-</u>	<u>(507,072)</u>
<b>Non-Operating Receipts/Disbursements</b>			
Proceeds From Sale of Debt	1,319,000	-	1,319,000
Special Assessments	20,713	-	20,713
Intergovernmental	443,512	-	443,512
Miscellaneous	1,372	-	1,372
Other Non-Operating Cash Receipts	-	25,500	25,500
Other Non-Operating Cash Disbursements	-	(28,349)	(28,349)
Redemption of Principal	(1,235,054)	-	(1,235,054)
Interest and Other Fiscal Charges	(80,877)	-	(80,877)
Other Financing Uses	(14,971)	-	(14,971)
Total Non-Operating Cash Receipts/Disbursement	<u>453,695</u>	<u>(2,849)</u>	<u>450,846</u>
Excess of Operating Receipts and Non-operating Receipts Over (Under) Operating Disbursements and Non-operating Disbursements Before Transfers and Advances	(53,377)	(2,849)	(56,226)
Fund Cash Balances, January 1 (restated see note #2)	<u>136,254</u>	<u>3,281</u>	<u>139,535</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$ 82,877</u></b>	<b><u>\$ 432</u></b>	<b><u>\$ 83,309</u></b>
Reserve for Encumbrances, December 31	<u>\$ 891</u>	<u>\$ -</u>	<u>\$ 891</u>

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Fazeysburg, Muskingum County (the Village) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly elected, six-member Council directs the Village. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police services (security of persons and property). The Village appropriates local property tax money for the volunteer fire department.

The Village's management believes these financial statements included in the report represent all of the funds of the Village over which the Village has the ability to exercise direct operating control. 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 Trustees are described in Note 9 to the financial statements.

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

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

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

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

**3. Enterprise Funds**

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

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

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

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

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

**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 Fiduciary Funds:

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2006 and 2005 budgetary activity appears in Note 5.

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. PRIOR PERIOD FUND BALANCE ADJUSTMENTS**

The Village made a fund balance adjustment in 2005 to take monies that were shown in the Agency Fund's Mayor's Court balance as of December 31, 2004 that should have been included in the General Fund. An adjustment was also required to show the water construction project in the Enterprise Fund instead of the Special Revenue Funds.

	<u>General Fund</u>	<u>Spec. Rev. Fund</u>	<u>Enterprise Fund</u>	<u>Agency Fund</u>
Balance as of December 31, 2004	\$ 52,375	\$ 111,835	\$ 93,461	\$ 9,350
Adjustment for Mayor's Court	6,069			(6,069)
Adjustment for State Grant Fund		(42,793)	42,793	
Adjusted Fund Balance	<u>\$ 58,444</u>	<u>\$ 69,042</u>	<u>\$ 136,254</u>	<u>\$ 3,281</u>

**3. EQUITY IN POOLED CASH AND CASH EQUIVALENT**

The Village maintains a cash and investments 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>2006</u>	<u>2005</u>
Demand deposits	<u>\$ 226,005</u>	<u>\$ 181,520</u>

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

**4. 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 reduction 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. The property owners, who must file a list of such property to the County by each April 30, assess tangible personal property tax. 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.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 229,807	\$ 267,223	\$ 37,416
Special Revenue	107,921	111,650	3,729
Enterprise	570,276	735,999	165,723
Total	\$ 908,004	\$ 1,114,872	\$ 206,868

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 268,768	\$ 265,125	\$ 3,643
Special Revenue	161,794	110,643	51,151
Enterprise	530,289	699,636	(169,347)
Total	\$ 960,851	\$ 1,075,404	\$ (114,553)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 433,685	\$ 272,811	\$ (160,874)
Special Revenue	148,107	99,187	(48,920)
Enterprise	1,753,000	2,196,123	443,123
Total	\$ 2,334,792	\$ 2,568,121	\$ 233,329

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 329,696	\$ 291,867	\$ 37,829
Special Revenue	933,227	110,364	822,863
Enterprise	780,590	2,250,391	(1,469,801)
Total	\$ 2,043,513	\$ 2,652,622	\$ (609,109)

Contrary to Ohio Rev. Code Section 5705.41 (D), the certification of availability of unencumbered appropriations for expenditure was not obtained for 80.5% of expenditures tested during 2006 and 61.4% of expenditures testing during 2005.

Contrary to Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations during 2006 in the Water and Sewer Funds and in 2005 in the Enterprise Improvement Fund.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. DEBT**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
1572 OWDA – 1988 Sewer Loan	\$ 507,078	8.09%
1573 OWDA – 1990 Sewer Loan	55,250	7.96%
2729 OWDA – 1997 Water Supply Master Plan Loan	3,000	0.00%
2730 OWDA – 1997 Wastewater Supply Plan Loan	2,000	0.00%
2001 OPWC – Storm Sewer Project *	27,254	2.00%
4163 OWDA – 2004 Lift Station Loan	110,096	5.06%
2005 USDA Rural Development Loan A^	761,270	4.13%
2005 USDA Rural Development Loan B^	152,051	4.13%
2005 USDA Rural Development Loan C^	423,716	4.13%
4528 OWDA – 2006 Sewer Project^	77,421	4.92%
Total	<u>\$ 2,119,136</u>	

\*The prior audit report misstated the outstanding balance as of December 31, 2004 for the 2001 OPWC Storm Sewer Project Loan. The prior audit reported \$2,029,312 of outstanding debt when only \$2,008,115 was actually outstanding.

^The outstanding balances of these loans include capitalized interest of \$19,834 that is not reflected as loan proceeds on the financial statements.

\$12,000 of debt payments related to the Sewer Mortgage Revenue Bonds was made from trustee funds. See Note 7.

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

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

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.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**6. DEBT (Continued)**

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. This lease expired in 2005.

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.

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. This loan was paid off with a balloon payment in October 2005 financed with new loans from USDA.

The United States Department of Agriculture Rural Development (USDA) Loans A, B and C were used to pay off OWDA loan #3951 that relates to a water system improvements. The original loan was for \$751,000, \$150,000 and \$418,000 respectively and the schedule above includes interest capitalized on these loans. The loans will be paid off in annual payments over the next 40 years. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

The OWDA loan #4528 relates to a sewer improvement project. The original loan was for the \$75,621.54 and the schedule above includes interest capitalized on this loan. The loan will be paid in monthly installments of \$1,978, including interest, over 5 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year Ended	OWDA #1572	OWDA #1573	OWDA #2729	OWDA #2730	OPWC	OWDA #4163	USDA A,B,C	OWDA #4528
2007	\$ 92,893	\$ 8,513	\$ 1,500	\$ 1,000	\$ 2,175	\$ 11,992	\$ 50,533	\$ 23,732
2008	92,893	8,513	1,500	1,000	2,175	11,992	69,309	23,732
2009	92,893	8,513			2,175	11,992	69,394	23,732
2010	92,893	8,513			2,175	11,992	69,351	23,732
2011	92,893	8,513			2,175	11,992	69,182	23,732
2012-2016	232,233	38,310			10,873	59,961	346,811	
2017-2021					9,786	29,981	346,576	
2022-2026							346,669	
2026-2030							346,622	
2031-2035							346,656	
2036-2040							346,670	
2041-2045							346,684	
<b>Total</b>	<b>\$ 696,698</b>	<b>\$ 80,875</b>	<b>\$ 3,000</b>	<b>\$ 2,000</b>	<b>\$ 31,534</b>	<b>\$ 149,902</b>	<b>\$ 2,754,457</b>	<b>\$ 118,660</b>

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. DEBT SERVICE TRUSTEED FUNDS**

The First Mortgage Sewer Revenue Bond agreement requires the Village to establish a debt service fund to make periodic payments from this fund to a trustee. At December 31, 2006, the Trustee had paid the debt in full. The related receipts and disbursements are not reflected in the accompanying financial statements. No further payments are required to be made from the Village to the Trustee.

**8. INCOME TAX**

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

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

**9. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees and elected officials belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multi-employer plans. This plan provides retirement benefits, including post retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. Members of OPERS contributed 9.0% and 8.5%, respectively, of their gross salaries. The Village contributed an amount equal to 13.70% of participants' gross salaries in 2006 and 13.55% in 2005. The Village has paid all contributions required through December 31, 2006.

**10. 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, excel liability, crime, surety and bond, inland marine and other coverage, 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% or \$25,000 of casualty losses and the lesser of 5% of \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

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

	2006	2005
Assets	\$ 9,620,148	\$ 8,219,430
Liabilities	3,329,620	2,748,639
Retained Earnings	\$ 6,290,528	\$ 5,470,791

A blanket bond covers all employees of the Village, 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 coverage in any of the past three years. Also, the Village did not reduce its insurance coverage significantly during the year.

**11. INTERFUND TRANSFERS**

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfer to	Transfer from		
	General	Water	Total
Water Construction	\$ 8,595	\$ 50,533	\$ 59,128

The transfers from the General and Water fund was made to supplement the construction project.

**12. CONTINGENT LIABILITIES**

**A. Pending Litigation**

On or about November 2006, the village reached a settlement agreement with a former employee for an alleged wrongful discharge. Liability was disputed, but because of the cost to defend the case and other procedural issues involved in the firing, the village ultimately decided to settle the case for \$15,000. The final payment was made in 2007, and this matter is now closed and resolved.

**Village of Frazeytsburg  
Muskingum County**

**Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended December 31, 2005**

<b>Federal Grantor/Pass Through Grantor</b>	<b>Pass Through</b>	<b>CFDA</b>	
<b>Program Title</b>	<b>Entity Number</b>	<b>Number</b>	<b>Disbursements</b>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Direct Program:</i>			
Water and Waste Disposal Systems for Rural Communities - Grant Program	N/A	10.760	412,260
Water and Waste Disposal Systems for Rural Communities - Loan Program	N/A	10.760	<u>150,000</u>
<b>Total U.S. Department of Agriculture</b>			<u>562,260</u>
<b>Total Federal Financial Assistance</b>			<u><u>562,260</u></u>

See accompanying notes to the Schedule of Federal Awards Expenditures

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 2006**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) is a summary of the Village's federal award programs. The Schedule has been prepared on the cash basis of accounting.

The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*.

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

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

November 24, 2008

Village of Frazeytsburg  
Muskingum County  
7 W. Second 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, 2006 and 2005, and have issued our report thereon dated November 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. In addition, we qualified our report because we were unable to satisfy ourselves to the completeness, occurrence, allocation, rights and obligations of Fees, Fines and Permits revenues in the General Fund and the Other non-operating receipts and disbursements in the Mayor's Court Fund in the Fiduciary Fund Type during 2005. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

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

### **Internal Control Over Financial Reporting (Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-012.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe significant deficiencies 2006-002 and 2006-006 through 2006-008 described above are material weaknesses.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standard* which are described in the accompanying schedule of findings as items 2006-001 and 2006-005.

This report is intended solely 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.

Respectfully Submitted,



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

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

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

November 24, 2008

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

To the Village Council:

We have audited the compliance of the **Village of Frazeytsburg, Muskingum County, Ohio** (the Village), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement, that apply to its major federal program for the year ended December 31, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the Village's major federal program. The Village's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 of Frazeytsburg, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

The Village's management 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 directly and materially affect a major federal program 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.

Village of Frazeytsburg  
Muskingum County  
Independent Accountants' Report on Compliance  
with Requirements Applicable to Major Federal  
Programs and Internal Control Over Compliance  
in Accordance with OMB A-133  
Required by *Government Auditing Standards*  
Page 2

### **Internal Control Over Compliance**

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 significant weakness 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 timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Village Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Respectfully Submitted,



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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Qualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiency reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiency reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Water and Waste Disposal Systems for Rural Communities CFDA # 10.760
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2006-001**

**Noncompliance Citation/Significant Deficiency**

**Ohio Rev. Code Section 507.04** requires the Village Clerk to keep a complete and accurate record of the proceedings of the Village Council at all its meetings, and of all its accounts and transactions.

The minutes serve as the official actions taken by the legislative authority of the Village. During our review of the minute record, we noted the Village's minute record was silent and/or vague concerning various Village matters. There was no mention of the hiring of a new Fiscal Officer. The pay rates for employees were not recorded. The minutes were not approved or signed by Council.

We recommend the clerk take detailed minutes that would permit the public to understand and appreciate the rationale behind the relevant public body's decisions. Council should approve all pertinent budgetary actions performed by the Fiscal Officer and reflect the approval in the minutes.

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

**FINDING NUMBER 2006-002**

**Noncompliance Citation/Significant Deficiency/Material Weakness**

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

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

- In 2005, Mayor's Court reports were not presented to the Council monthly. Remittances were not made monthly to the Village's General Fund or to the State of Ohio.
- In 2005, a cashbook and docketbook were not maintained nor was a separate bank account maintained for 2005 and 2006.
- In 2005, separate ledger accounts were not maintained in an agency fund which accounted for the activity of the court. Mayor's Court receipts were placed directly into General Fund. Mayor's Court Fund 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.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2006-002 (Continued)**

**Noncompliance Citation/Significant Deficiency (Continued)**

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.

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. Also, the Village should maintain all documentation as required by the Ohio Revised Code.

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

**FINDING NUMBER 2006-003**

**Noncompliance Citation/Significant Deficiency**

**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 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.

The Village did not transmit court costs due to the Treasurer of State for 2005 in a timely manner. This was corrected in 2006.

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

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

**FINDING NUMBER 2006-004**

**Noncompliance Citation/Significant Deficiency**

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

Actual disbursements exceeded appropriations during 2006 in the Water and Sewer Funds and in 2005 in the Enterprise Improvement Fund.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**FINDING NUMBER 2006-004 (Continued)**

**Noncompliance Citation/Significant Deficiency (Continued)**

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

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

**FINDING NUMBER 2006-005**

**Noncompliance Citation/Significant Deficiency**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision’s fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-005 (Continued)**

**Noncompliance Citation/Significant Deficiency (Continued)**

2. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
  
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 80.5% and 61.47% of the expenditures tested during 2006 and 2005, respectively. In addition there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village lost budgetary control over expenditures.

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 Clerk certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, “then and now” certification should be used.

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-006**

**Significant Deficiency/Material Weakness**

**Posting Receipts and Expenditures**

Receipts should be posted to the fund and line item accounts as established by Ohio Administrative Code Section 117-7-01.

During 2005 and 2006, several receipts and expenditures were not posted into accurate revenue or expenditure classifications based on the source of the receipt or expenditure. For example, various intergovernmental, tax and note proceed revenues were not posted into the correct receipt classification. In addition, the expenditures for the debt payments were posted to the Materials and Supplies, Basic Utility Service and Other Financing Sources accounts rather than principal/interest payments. This resulted in several reclassification entries being made to the financial statements.

We recommend the Clerk refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

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

**FINDING NUMBER 2006-007**

**Significant Deficiency/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. This process involves reconciling the book balance to the cash and investment balance.

For January 1, 2005 through December 31, 2005, the Village did not resolve various differences between the adjusted bank balance and the balance reflected within the Village's accounting records. Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-007 (Continued)**

**Significant Deficiency/Material Weakness (Continued)**

**Bank Reconciliation (Continued)**

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

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

**FINDING NUMBER 2006-008**

**Significant Deficiency/Material Weakness**

**Tax Related Late Payments**

In the past, federal taxes were not always remitted to the Internal Revenue Service in a timely manner. The Village incurred a late penalty and interest costs in the amount of \$16,042 due to the 2002 federal taxes not being remitted by the required due date. The Village made payment on the late fee and interest costs in 2007. This resulted in the Village expending unnecessary funds.

We recommend the Village Clerk take steps to ensure payroll tax reports and withholdings are timely remitted in order to avoid the unnecessary expense of interest and penalties. The situation could lead to a Finding for Recovery being issued against Village officials for misappropriation of Village monies.

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-009**

**Significant Deficiency**

**Posting Estimated Revenues and Appropriations**

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

This resulted in incorrect amounts posted to the accounting system and information available to Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts as Certified by the County Budget Commission.

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

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

**FINDING NUMBER 2006-010**

**Significant Deficiency**

**Complete Voucher Packages**

The completed voucher packages should be the basis for the preparation of checks. The package should include the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of the goods or services and the accuracy of the quantity and price, and a copy of the requisition or purchase order to document the fiscal officer's prior certification that sufficient appropriations and resources were available to meet the obligation.

The Village did not always present complete voucher packages to support expenditures. It was determined through alternative testing procedures that these expenditures were allowable and for a proper public purpose. However, this practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-010 (Continued)**

**Significant Deficiency (Continued)**

**Complete Voucher Packages (Continued)**

We recommend that all expenditures be supported by complete voucher packages, including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the Clerk's prior certification, to help insure that all Village expenditures are for goods or services received, properly approved, and for a proper public purpose.

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

**FINDING NUMBER 2006-011**

**Significant Deficiency**

**Advances**

In order to advance cash from one fund to another, Auditor of State Bulletin 97-003 suggests 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. In addition, advances must be approved by a formal resolution of the taxing authority of the subdivision which must include: (1) a specific statement that the transaction is an advance of cash, and, (2) an indication of the money (fund) from which it is expected that repayment will be made.

To alleviate short-term cash flow problems, the Village advanced cash between the General Fund and the Water Operating Fund an Enterprise Fund Type. The Village made two advances that were not approved in Resolution form by the taxing authority. All of the advances were not paid back as of the end of the audit period.

We recommend that the Village follow the guidance outlined in Auditor of State Bulletin 97-003 to initiate an advance. The Council should approve all advances. In addition, if the Village's intent is to not repay the advance, the taxing authority should by Resolution turn the unpaid advance into a transfer.

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

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2006 and 2005**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2006-012**

**Significant Deficiency**

**Payroll Procedures**

- Approval of Timesheets

During our testing of payroll, no evidence could be found to indicate employee timecards were reviewed and approved by a supervisor or by the Village Mayor. The Village Administrator collects timecards and provides the clerk with only a summary sheet. We also observed that the Village Administrator approves timecards of family members. This condition could result in employees being inaccurately paid.

We recommend that all employee payroll timecards be reviewed and approved by a supervisor and/or the Mayor who is independent of employees prior to payment being issued. This approval should be indicated by the supervisor/Mayor initialing the timecard. The payroll clerk should maintain all payroll records including actual time cards, contracts, W-4's and pay ordinances.

- Rates of Pay

All rates of pay for full-time and part-time employees should be approved by the Council in the minute record of the Village. The rate of pay of employees was not approved in the minute record. This could allow for unauthorized compensation to Village employees.

We recommend all rates of pay be properly approved and recorded in the minute record of the Village Council. The minutes should also be clear as to the Council's policy for overtime, holiday pay and any other matters concerning employee's pay and benefits.

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

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

**VILLAGE OF FRAZEYSBURG  
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	ORC Section 2743.79 – Remittance of court cost to Treasurer of State before 20 <sup>th</sup> day of following month.	No	Not Corrected, Repeated as finding 2006-003.
2004-002	ORC Section 733.40 – Remittance of all fees, fines and forfeitures and costs to the Village on the first Monday of each month.	No	Not Corrected, Repeated as finding 2006-002.
2004-003	ORC Section 5705.41(D) – Expenditures were made without the fiscal officer’s prior certification.	No	Not Corrected, Repeated as finding 2006-005.
2004-004	ORC Section 5705.41(B) – Expenditures in excess of appropriations.	No	Not Corrected, Repeated as finding 2006-004.
2004-005	ORC Section 5705.10 – Requires formal resolution by council for inter-fund advances.	No	Not Corrected, Repeated as finding 2006-011.
2004-006	Village should prepare monthly bank reconciliation in a timely manner and have council approve.	No	Not Corrected, Repeated as finding 2006-007.
2004-007	Posting of estimated revenues and appropriations in UAN system.	No	Not Corrected, Repeated in finding 2006-009.



Mary Taylor, CPA  
Auditor of State

VILLAGE OF FRAZEYSBURG

MUSKINGUM COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 31, 2008