

**VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY, OHIO**

**REGULAR AUDIT**

**For The Years  
Ended December 31, 2007 – 2006**





Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Fredericksburg  
206 North Mill Street  
P.O. Box 278  
Fredericksburg, Ohio 44627

We have reviewed the *Independent Auditor's Report* of the Village of Fredericksburg, Wayne County, prepared by Kennedy Cottrell Richards LLC, for the audit period January 1, 2006 through December 31, 2007. 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 Auditor's 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 Auditor's 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 Fredericksburg is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 22, 2008

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**VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY, OHIO**

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## INDEPENDENT AUDITOR'S REPORT

The Village of Fredericksburg  
Wayne County  
206 N. Mill Road  
Fredericksburg, OH 44627

To the Village Council:

We have audited the accompanying financial statements of The Village of Fredericksburg, Wayne County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006. 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Fredericksburg, Wayne County, as of December 31, 2007 and 2006 and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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 a report dated July 22, 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. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Kennedy Cottrell Richards LLC".

Kennedy Cottrell Richards LLC  
July 22, 2008

**VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2007 AND 2006

	2007	2006
<u>Cash and Investments</u>		
Cash and Cash Equivalents	\$ 232,464	\$ 317,328
Total Cash and Investments	\$ 232,464	\$ 317,328
 <u>Cash Fund Balances</u>		
<u>Government Fund Types</u>		
General Fund	\$ 23,101	\$ 48,065
Special Revenue	95,231	75,769
Total Governmental Funds	\$ 118,332	\$ 123,835
 <u>Proprietary Fund Type:</u>		
Enterprise	\$ 114,132	\$ 193,493
Total Fund Balances	\$ 232,464	\$ 317,328

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Governmental Fund Types</u>		Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 26,034	\$ 28,537	\$ 54,571
Intergovernmental	155,685	25,117	180,802
Charges for services	15,000	-	15,000
Miscellaneous	8,776	4,386	13,162
Total cash receipts	<u>205,495</u>	<u>58,040</u>	<u>263,535</u>
Cash disbursements:			
Current:			
Security of persons and property	173,966	24,039	198,005
Public health services	1,779	-	1,779
Leisure Time Activites	1,147	-	1,147
Transportation	-	14,539	14,539
General government	50,303	-	50,303
Total cash disbursements	<u>227,195</u>	<u>38,578</u>	<u>265,773</u>
Total cash receipts over (under) cash disbursements	(21,700)	19,462	(2,238)
Other Uses	<u>3,264</u>	<u>-</u>	<u>3,264</u>
Excess of Cash Receipts Over/(Under) Disbursements and Other Uses	(24,964)	19,462	(5,502)
Cash fund balances, January 1, 2007	<u>48,065</u>	<u>75,769</u>	<u>123,834</u>
Cash fund balances, December 31, 2007	<u>\$ 23,101</u>	<u>\$ 95,231</u>	<u>\$ 118,332</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 161,143
Miscellaneous	6,840
Total operating cash receipts	167,983
Operating cash disbursements:	
Personal services	32,273
Contractual services	21,786
Supplies and material	30,502
Capital Outlay	185,599
Total operating cash disbursements	270,160
Operating income	(102,177)
Nonoperating cash receipts	
Intergovernmental	107,110
Total nonoperating cash disbursements	107,110
Nonoperating cash disbursements	
Debt service:	
Principal	52,205
Interest	32,089
Total nonoperating cash disbursements	84,294
Net Receipts Over/(Under) Disbursements	(79,361)
Cash fund balances, January 1, 2007	193,493
Cash fund balances, December 31, 2007	\$ 114,132

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY, OHIO**

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

	<u>Governmental Fund Types</u>		Total Memorandum Only
	<u>General</u>	<u>Special Revenue</u>	
Cash receipts:			
Local taxes	\$ 35,897	\$ 17,353	\$ 53,250
Intergovernmental	16,449	22,888	39,337
Charges for services	17,500		17,500
Miscellaneous	33,963	3,135	37,098
Total cash receipts	<u>103,809</u>	<u>43,376</u>	<u>147,185</u>
Cash disbursements			
Current:			
Security of persons and property	31,261	22,528	\$ 53,789
Public health services	1,504	-	1,504
Leisure Time Activities	27,746	-	27,746
Transportation	-	24,149	24,149
General government	46,775	-	46,775
Total cash disbursements	<u>107,286</u>	<u>46,677</u>	<u>153,963</u>
Total cash receipts over (under) cash disbursements	<u>(3,477)</u>	<u>(3,301)</u>	<u>(6,778)</u>
Other Uses	<u>5,901</u>	<u>-</u>	<u>5,901</u>
Excess of Cash Receipts Over/(Under) Disbursements and Other Uses	<u>(9,378)</u>	<u>(3,301)</u>	<u>(12,679)</u>
Cash fund balances, January 1, 2006	<u>57,443</u>	<u>79,070</u>	<u>136,513</u>
Cash fund balances, December 31, 2006	<u>\$ 48,065</u>	<u>\$ 75,769</u>	<u>\$ 123,834</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating cash receipts:	
Charges for services	\$ 153,465
Miscellaneous	12,665
Total operating cash receipts	<u>166,130</u>
Operating cash disbursements:	
Personal services	28,247
Contractual services	14,597
Supplies and material	26,603
Capital Outlay	120,071
Total operating cash disbursements	<u>189,518</u>
Operating income	<u>(23,388)</u>
Nonoperating cash receipts	
Intergovernmental	84,327
Total nonoperating cash disbursements	<u>84,327</u>
Nonoperating cash disbursements	
Debt service:	
Principal	50,119
Interest	34,176
Total nonoperating cash disbursements	<u>84,295</u>
Net Receipts Over/(Under) Disbursements	(23,356)
Cash fund balances, January 1, 2006	<u>216,849</u>
Cash fund balances, December 31, 2006	<u><u>\$ 193,493</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fredericksburg, Wayne County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general government services, including water and sewer utilities, park operations and fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**B. Basis of Accounting**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 adequately disclose 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.

The Village's investments are limited to an overnight sweep account and a certificate of deposit. The overnight sweep account is valued at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF FREDICKSBURG  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

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

**2. Special Revenue Funds**

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

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

Police Fund – This fund receives local property tax money to pay for the contract with the Wayne County Sheriff’s Department for police protection.

**3. Proprietary Funds**

Enterprise Funds

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

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

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

**VILLAGE OF FREDICKSBURG  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

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

**E. Budgetary Process**

The Ohio Revised Code requires that each fund except the agency fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**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 FREDICKSBURG  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2007</u>	<u>2006</u>
Interest Bearing Checking	\$166,266	\$255,054
Certificate of Deposit	<u>66,198</u>	<u>62,274</u>
Total deposits and investments	<u>\$232,464</u>	<u>\$317,328</u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 271,565	\$ 205,495	\$ (66,070)
Special Revenue	115,269	58,040	(57,229)
Enterprise	<u>\$1,487,493</u>	<u>275,093</u>	<u>(1,212,400)</u>
Total	<u>\$1,874,327</u>	<u>\$538,628</u>	<u>\$(1,335,699)</u>

2007 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$271,565	\$ 230,459	\$ 41,106
Special Revenue	115,269	38,578	76,691
Enterprise	<u>1,487,493</u>	<u>354,454</u>	<u>1,133,039</u>
Total	<u>\$1,874,327</u>	<u>\$623,491</u>	<u>\$1,250,836</u>

**VILLAGE OF FREDICKSBURG  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

2006 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 157,181	\$ 103,809	\$ (53,372)
Special Revenue	118,571	43,376	(75,195)
Enterprise	<u>293,525</u>	<u>250,457</u>	<u>( 43,068)</u>
Total	<u>\$569,277</u>	<u>\$397,642</u>	<u>\$(171,635)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$129,943	\$ 113,186	\$ 16,757
Special Revenue	118,571	46,677	71,894
Enterprise	<u>293,525</u>	<u>273,813</u>	<u>19,712</u>
Total	<u>\$542,039</u>	<u>\$433,676</u>	<u>\$108,363</u>

**4. DEBT OBLIGATIONS**

Debt outstanding at December 31, 2007 follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan	\$712,660	4.12%

The Ohio Water Development Authority (OWDA) loan relates to the construction of a municipal wastewater treatment plant and a sanitary sewer system. This loan will be repaid in semiannual installments with 4.12% interest over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF FREDICKSBURG  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

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

<u>Year Ending December 31</u>	<u>OWDA Loan</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 84,294	\$ 55,499	\$ 28,796
2009	84,294	57,809	26,486
2010	84,294	60,215	24,079
2011	84,294	62,721	21,573
2012	84,294	65,332	18,962
Subsequent	<u>463,619</u>	<u>411,084</u>	<u>52,535</u>
Total	<u>\$885,089</u>	<u>\$712,660</u>	<u>\$172,431</u>

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax revenue received in calendar 2007 (other than public utility property tax) represents the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessed percentage for all property including inventory for 2006 was 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**VILLAGE OF FREDICKSBURG  
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 AND 2006  
(CONTINUED)**

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the Village.

**6. RETIREMENT SYSTEMS**

The Village's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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, members of PERS contributed 9.0% of their gross salaries, and the Village contributed an amount equal to 13.70% of participants' gross salaries. For 2007, members of PERS contributed 9.5% of their gross salaries, and the Village contributed an amount equal to 13.85% of participants' gross salaries. The Village has paid all employer contributions required through December 31, 2007.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

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

The Village of Fredericksburg  
206 N. Mill St.  
Fredericksburg, OH 44627

To Village Council:

We have audited the financial statements of the Village of Fredericksburg, Wayne County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated July 22, 2008 wherein we noted the Village reported on the regulatory basis of accounting permitted by the Auditor of State of Ohio. 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 Government Auditing Standards, issued by the Comptroller General of the United States.

**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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion 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 that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Village of Fredericksburg  
Wayne County  
Report on Internal Control and Compliance and  
Other Matters Required by *Government Auditing Standards*

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is a material weakness.

### **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, and grant agreements, 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 one instance of noncompliance that is required to be reported under Government Auditing Standards, which is described in the accompanying schedule of findings as item 2007-2.

We noted certain matters that we reported to management of the Village in a separate letter dated July 22, 2008.

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



Kennedy Cottrell Richards LLC  
July 22, 2008

VILLAGE OF FREDERICKSBURG

SCHEDULE OF FINDINGS

DECEMBER 31, 2007 AND 2006

**2007-1 Material Weakness – Financial Reporting**

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the Village. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

As a result of our audit, we identified material reclassifications in the Village's financial statements for both 2006 and 2007. We provided adjusting entries to management who subsequently corrected the misstatement on the financial statements.

We recommend the Village implement sufficient control procedures over the financial reporting process in order to enable management to prevent and detect potential misstatements in the financial statements and footnotes.

Official's Response

The Village did not respond to this finding.

**2007- 2 NONCOMPLIANCE: EXPENDITURE OF MONEY**

Ohio Revised Code Section 5705.41 states, in part:

No subdivision or taxing unit shall: ...

(D)(1) Except as otherwise provided in division (D)(2) of this section and section 5705.44 of the Revised Code, make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

During the first four months of 2007, the Village utilized State Software and therefore produced purchase orders. However, during 2006 and also for the last eight months of 2007, purchase orders were not created to encumber the necessary funds.

We recommend the City ensure that purchase orders are completed prior to entering into orders or contracts involving the expenditure of money.

Official's Response

The Village did not respond to this finding.



**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF FREDERICKSBURG**

**WAYNE 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  
OCTOBER 2, 2008**