
ALGER & ASSOCIATES, Inc.

CERTIFIED PUBLIC ACCOUNTANTS



VILLAGE OF FREDERICKSBURG

WAYNE COUNTY, OHIO

A&A
REGULAR AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2011 & 2010



Dave Yost • Auditor of State

Village Council
Village of Fredericksburg
118 North Mill Street
Fredericksburg, Ohio 44627

We have reviewed the *Independent Accountants' Report* of the Village of Fredericksburg, Wayne County, prepared by Alger & Associates, LLC, for the audit period January 1, 2010 through December 31, 2011. 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 Fredericksburg is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 10, 2012

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Village of Fredericksburg
Wayne County
118 North Mill Street
Fredericksburg, OH 44627

To the Village Council:

We have audited the accompanying financial statements of the Village of Fredericksburg, Wayne County, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

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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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows, where applicable 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 as of December 31, 2011 and 2010 of Village of Fredericksburg, Wayne County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Fredericksburg adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2012, 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.

Alger & Associates, Inc.
June 12, 2012

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$32,252	\$19,769	\$52,021
Intergovernmental	16,687	25,452	42,139
Miscellaneous	12,066	500	12,566
<i>Total Cash Receipts</i>	<u>61,005</u>	<u>45,721</u>	<u>106,726</u>
Cash Disbursements			
Current:			
Security of Persons and Property	5,346	25,435	30,781
Public Health Services	1,481		1,481
Leisure Time Activities	1,162		1,162
Transportation		26,761	26,761
General Government	32,350		32,350
<i>Total Cash Disbursements</i>	<u>40,339</u>	<u>52,196</u>	<u>92,535</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>20,666</u>	<u>(6,475)</u>	<u>14,191</u>
Other Financing Receipts (Disbursements)			
Transfers In		10,000	10,000
Transfers Out	(10,000)		(10,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(10,000)</u>	<u>10,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	10,666	3,525	14,191
<i>Fund Cash Balances, January 1</i>	<u>37,822</u>	<u>71,670</u>	<u>109,492</u>
Fund Cash Balances, December 31			
Restricted	-	75,195	75,195
Unassigned	48,488	-	48,488
<i>Fund Cash Balances, December 31</i>	<u><u>\$48,488</u></u>	<u><u>\$75,195</u></u>	<u><u>\$123,683</u></u>

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGE IN FUND CASH BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$177,379
Fines, Licenses and Permits	2,500
Miscellaneous	868
<i>Total Operating Cash Receipts</i>	180,747
Operating Cash Disbursements	
Personal Services	34,811
Contractual Services	8,404
Supplies and Materials	55,919
<i>Total Operating Cash Disbursements</i>	99,134
<i>Operating Income (Loss)</i>	81,613
Non-Operating Disbursements	
Principal Retirement	(67,705)
Interest and Other Fiscal Charges	(25,387)
<i>Total Non-Operating Receipts (Disbursements)</i>	(93,092)
<i>Net Change in Fund Cash Balances</i>	(11,479)
	126,553
Fund Cash Balances, December 31	\$115,074

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts			
Property and Other Local Taxes	\$26,662	\$26,147	\$52,809
Intergovernmental	15,266	23,556	38,822
Miscellaneous	14,030	1,466	15,496
<i>Total Cash Receipts</i>	<u>55,958</u>	<u>51,169</u>	<u>107,127</u>
Cash Disbursements			
Current:			
Security of Persons and Property	5,470	15,016	20,486
Public Health Services	1,493		1,493
Leisure Time Activities	1,174		1,174
Transportation		17,573	17,573
General Government	34,118		34,118
<i>Total Cash Disbursements</i>	<u>42,255</u>	<u>32,589</u>	<u>74,844</u>
<i>Excess of Receipts Over Disbursements</i>	<u>13,703</u>	<u>18,580</u>	<u>32,283</u>
Other Financing Disbursements			
Other Financing Uses	(4,811)		(4,811)
<i>Net Change in Fund Cash Balances</i>	<u>8,892</u>	<u>18,580</u>	<u>27,472</u>
<i>Fund Cash Balances, January 1</i>	<u>28,930</u>	<u>53,090</u>	<u>82,020</u>
Fund Cash Balances, December 31	<u><u>\$37,822</u></u>	<u><u>\$71,670</u></u>	<u><u>\$109,492</u></u>

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGE IN FUND CASH BALANCE (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$161,467
Miscellaneous	7,860
	<u>169,327</u>
<i>Total Operating Cash Receipts</i>	<u>169,327</u>
Operating Cash Disbursements	
Personal Services	35,415
Contractual Services	9,013
Supplies and Materials	38,381
Capital Outlay	12,895
	<u>95,704</u>
<i>Total Operating Cash Disbursements</i>	<u>95,704</u>
<i>Operating Income (Loss)</i>	<u>73,623</u>
Non-Operating Cash Receipts (Disbursements)	
Other Debt Proceeds	15,884
Capital Outlay - OWDA Development	(15,884)
Principal Retirement	(66,991)
Interest and Other Fiscal Charges	(29,552)
Other Financing Uses	(8,891)
	<u>(8,891)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(105,434)</u>
<i>Net Change in Fund Cash Balances</i>	(31,811)
<i>Fund Cash Balances, January 1</i>	<u>158,364</u>
<i>Fund Cash Balances, December 31</i>	<u>\$126,553</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, 2011 AND 2010**

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 directs the Village. The Village provides general government services water and sewer utilities, and park operations. The Village contracts with the Wayne County Sheriff's department to provide security of persons and property. At the end of 2008, the Village joined the South Central Fire District to provide fire protection and rescue services.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool: Ohio Government Risk Management Plan, a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

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

B. Accounting Basis

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. The Village 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies – (continued)

The Village's investments are limited to a Sweep Account.

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.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 Levy Fund – This fund receives local property tax money to pay for the contract with the Wayne County Sheriff's Department for police protection.

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 water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies – (continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies – (continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. Equity in Pooled Deposits and Investments

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

	2011	2010
Demand deposits	(\$2,291)	\$7,270
Sweep Account	241,048	228,775
Total deposits and investments	\$238,757	\$236,045

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, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,072	\$61,005	\$25,933
Special Revenue	48,195	55,721	7,526
Enterprise	162,000	180,747	18,747
Total	\$245,267	\$297,473	\$52,206

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,892	\$50,339	\$22,553
Special Revenue	64,574	52,196	12,378
Enterprise	288,539	192,226	96,313
Total	\$426,005	\$294,761	\$131,244

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity – (continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$35,072	\$55,958	\$20,886
Special Revenue	42,610	51,169	8,559
Enterprise	155,917	185,211	29,294
Total	\$233,599	\$292,338	\$58,739

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$69,000	\$47,066	\$21,934
Special Revenue	95,700	32,589	63,111
Enterprise	309,279	217,022	92,257
Total	\$473,979	\$296,677	\$177,302

Contrary to Ohio law the Village does not encumber funds at the time of commitment.

4. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt

Debt outstanding at December 31, 2011 follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - #2267	\$476,416	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.

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>
2012	\$84,294	\$65,332	\$18,962
2013	84,294	68,051	16,243
2014	84,294	70,884	13,410
2015	84,294	73,835	10,459
2016	84,294	76,908	7,386
Subsequent	<u>126,446</u>	<u>121,406</u>	<u>5,040</u>
Total	<u>\$547,916</u>	<u>\$476,416</u>	<u>\$71,500</u>

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - #5055	\$224,780	2%

The Ohio Water Development Authority (OWDA) loan relates to the construction of a municipal water tank improvement project. The loan amount was \$275,324 with the principal amount of \$224,780 outstanding at December 31, 2011. This loan will be repaid in semiannual installments with 2.0% interest over 30 years. The loan is collateralized by water receipts. Per the OWDA the useful life of the water tank and waterlines is 50 years, and therefore, a 30 year term is appropriate for this project.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. Debt – (continued)

Summary Loan #5055

Outstanding Principal in 2009	\$220,656
Disbursements in 2010	<u>15,884</u>
Total Amount Financed	236,540
Payments	<u>11,760</u>
Principal Outstanding 2011	<u>\$224,780</u>

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

<u>Year Ending</u> <u>December 31</u>	<u>OWDA</u> <u>Loan</u>	<u>Principal</u>	<u>Interest</u>
2012	\$10,523	\$6,057	\$4,466
2013	10,523	6,180	4,343
2014	10,523	6,304	4,219
2015	10,523	6,431	4,092
2016	10,523	6,560	3,963
Subsequent	<u>242,036</u>	<u>193,248</u>	<u>48,788</u>
Total	<u>\$294,651</u>	<u>\$224,780</u>	<u>\$69,871</u>

6. Retirement Systems

The Village's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plan retirement benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management

Prior to 2009, the Village belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management (continued)

If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRRM and OPHC:

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Members' Equity	\$7,191,485	\$300,035	\$6,323,701	\$105,185

8. Subsequent Event

On December 13, 2011 Council authorized a 1% Village income tax levy, with an effective date January 1, 2012.



ALGER & ASSOCIATES, Inc.
Certified Public Accountants

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

Village of Fredericksburg
Wayne County
118 North Mill Street
Fredericksburg, OH 44627

To the 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, 2011 and 2010, and have issued our report thereon dated June 12, 2012 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. For the year ended December 31, 2011, we noted the Village implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-002 described in the accompanying schedule of findings to be 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 12, 2012.

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.

Alger & Associates, Inc.
June 12, 2012

VILLAGE OF FEDERICKSBURG
WAYNE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010

FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2011-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation...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.

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" at the time that he is completing his certification "now", 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 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, or less than \$3,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority

FINDING NUMBER 2011-001 – (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 Village 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 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 encumber and/or certify that funds were available at the time of the commitment for any of the disbursements made by the Village. Incurring obligations prior to the Fiscal Officer’s certification could result in the Village spending more than appropriated. The Village did not satisfy any of the exceptions stated above.

Also the Village Fiscal Officer does not utilize purchase orders which would allow the Fiscal Officer to certify funds are available.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer utilize purchase orders to certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend that the Village certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language as set forth in 5705.41(D) (1) to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Implementation of the recommendation may help the Village come into compliance with the Ohio Revised Code.

FINDING NUMBER 2011-002

Financial Reporting

As a result of audit procedures performed, errors were noted in the Village's financial statements for 2010 and in 2011 that required audit reclassifications as follows.

Reclassifications for 2010:

Enterprise Fund – Loan disbursement amounting to \$6,124 (OWDA Loan 5055) was posted to the financial statements as disbursements rather than Principal Retirement.

Enterprise Fund – \$8,891 of CDBG funds unused was posted to Principal Retirement rather than Other Financing Uses. There was no debt associated with this loan and was a reimbursement for funds not used.

Enterprise Fund – A disbursement from OWDA to Natgun Corporation in the amount of \$15,884 was not posted to the financial statements. This money was a pass through on behalf of the Village.

Enterprise Fund – The financial statements reflected \$99,310 in Principal Retirement, however there was no amount reflected for Interest and Other Fiscal Charges. An adjustment of \$32,319 was posted to Principal Retirement to agree to the loan documents of \$66,991 and \$29,552 was posted to Interest and Other Fiscal Charges.

Reclassifications for 2011:

General Fund - Homestead and rollback tax reimbursements totaling \$12,219 were reclassified from Property Tax revenue to Intergovernmental revenue.

General Fund - The transfer amounting to \$10,000 were reclassified from the General Government to Transfer Out.

Enterprise Fund - Loan payments amounting to \$93,092 were reclassified from Other Loan to Principal Retirement and Interest and Other Fiscal Charges.

Sound financial reporting is the responsibility of the Village Fiscal Officer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

FINDING NUMBER 2011-002 – (continued)

To ensure the Village's financial statements and notes to the financial statements are complete and accurate, we recommend 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. The Village Fiscal Officer should review the Village Manual for guidance on the correct line item to post various receipts and expenditures of the Village.

Officials' Responses: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.41 (D) – The Village did not always certify funds were available at the time of the commitment	No	Reissued – See Finding # 2011- 001
2009-002	Material Weakness Fund reconciliation	Yes	
2009-003	Material Weakness – Financial Reporting	No	Reissued – See Finding # 2011- 002

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Dave Yost • 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 23, 2012