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**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY
Regular Audit
For the Years Ended December 31, 2014 and 2013**

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Dave Yost • Auditor of State

Village Council
Village of Frazeytsburg
7 W. Second Street
Frazeytsburg, Ohio 43822

We have reviewed the *Independent Auditor's Report* of the Village of Frazeytsburg, Muskingum County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2014. 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.

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.

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

Dave Yost
Auditor of State

July 21, 2015

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VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 19, 2015

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Frazeytsburg**, Muskingum County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Frazeyburg, Muskingum County, as of December 31 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 33,473	\$ 61,985	\$ 95,458
Municipal Income Tax	158,278	-	158,278
Intergovernmental	30,380	81,448	111,828
Special Assessments	-	40,576	40,576
Charges for Services	1,970	21,328	23,298
Fines, Licenses and Permits	32,258	1,808	34,066
Earnings on Investments	390	270	660
Miscellaneous	5,642	6,369	12,011
	<i>Total Cash Receipts</i>	<i>262,391</i>	<i>476,175</i>
Cash Disbursements			
Current:			
Security of Persons and Property	80,844	94,013	174,857
Leisure Time Activities	4,523	37,134	41,657
Community Environment	789	-	789
Transportation	-	83,231	83,231
General Government	93,753	3,723	97,476
Capital Outlay	4,070	31,285	35,355
	<i>Total Cash Disbursements</i>	<i>249,386</i>	<i>433,365</i>
	<i>Excess of Receipts Over Disbursements</i>	<i>(35,602)</i>	<i>42,810</i>
Other Financing Receipts (Disbursements)			
Sale of Capital Assets	7,708	-	7,708
Transfers In	-	10,130	10,130
Transfers Out	(10,130)	(20,166)	(30,296)
	<i>Total Other Financing Receipts (Disbursements)</i>	<i>(10,036)</i>	<i>(12,458)</i>
	<i>Net Change in Fund Cash Balances</i>	<i>(45,638)</i>	<i>30,352</i>
	<i>Fund Cash Balances, January 1</i>	<i>255,707</i>	<i>327,384</i>
Fund Cash Balances, December 31			
Restricted	-	210,069	210,069
Assigned	252	-	252
Unassigned	147,415	-	147,415
	<i>Fund Cash Balances, December 31</i>	<i>\$ 210,069</i>	<i>\$ 357,736</i>

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 587,459	\$ -	\$ 587,459
Miscellaneous	84	-	84
<i>Total Operating Cash Receipts</i>	<u>587,543</u>	<u>-</u>	<u>587,543</u>
Operating Cash Disbursements			
Personal Services	131,391	-	131,391
Employee Fringe Benefits	76,470	-	76,470
Contractual Services	131,636	-	131,636
Supplies and Materials	78,444	-	78,444
Other	1,212	-	1,212
<i>Total Operating Cash Disbursements</i>	<u>419,153</u>	<u>-</u>	<u>419,153</u>
<i>Operating Income</i>	<u>168,390</u>	<u>-</u>	<u>168,390</u>
Non-Operating Receipts (Disbursements)			
Earnings on Investments	202	-	202
Sale of Capital Assets	1,412	-	1,412
Miscellaneous Receipts	296	-	296
Capital Outlay	(80,602)	-	(80,602)
Principal Retirement	(96,227)	-	(96,227)
Interest and Other Fiscal Charges	(60,580)	-	(60,580)
Other Non-Operating Cash Receipts	-	31,900	31,900
Other Non-Operating Cash Disbursements	-	(29,311)	(29,311)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(235,499)</u>	<u>2,589</u>	<u>(232,910)</u>
<i>Income before Transfers</i>	<u>(67,109)</u>	<u>2,589</u>	<u>(64,520)</u>
Transfers In	97,166	-	97,166
Transfers Out	(77,000)	-	(77,000)
<i>Net Change in Fund Cash Balances</i>	<u>(46,943)</u>	<u>2,589</u>	<u>(44,354)</u>
<i>Fund Cash Balances, January 1</i>	<u>390,417</u>	<u>760</u>	<u>391,177</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 343,474</u>	<u>\$ 3,349</u>	<u>\$ 346,823</u>

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 33,406	\$ 61,842	\$ 95,248
Municipal Income Tax	151,904	-	151,904
Intergovernmental	18,032	225,374	243,406
Special Assessments	-	40,481	40,481
Charges for Services	2,228	19,046	21,274
Fines, Licenses and Permits	28,904	1,320	30,224
Earnings on Investments	266	510	776
Miscellaneous	1,473	102,009	103,482
<i>Total Cash Receipts</i>	<u>236,213</u>	<u>450,582</u>	<u>686,795</u>
Cash Disbursements			
Current:			
Security of Persons and Property	79,015	79,998	159,013
Leisure Time Activities	3,322	29,844	33,166
Community Environment	4,216	-	4,216
Transportation	-	204,350	204,350
General Government	94,585	4,513	99,098
Capital Outlay	2,551	41,176	43,727
<i>Total Cash Disbursements</i>	<u>183,689</u>	<u>359,881</u>	<u>543,570</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>52,524</u>	<u>90,701</u>	<u>143,225</u>
Other Financing Receipts			
Sale of Capital Assets	1,136	-	1,136
Transfers In	-	15,979	15,979
Transfers Out	(10,030)	(6,516)	(16,546)
Other Financing Sources	60	-	60
<i>Total Other Financing Receipts</i>	<u>(8,834)</u>	<u>9,463</u>	<u>629</u>
<i>Net Change in Fund Cash Balances</i>	43,690	100,164	143,854
<i>Fund Cash Balances, January 1</i>	<u>27,987</u>	<u>155,543</u>	<u>183,530</u>
Fund Cash Balances, December 31			
Restricted	-	255,707	255,707
Assigned	375	-	375
Unassigned	71,302	-	71,302
<i>Fund Cash Balances, December 31</i>	<u>\$ 71,677</u>	<u>\$ 255,707</u>	<u>\$ 327,384</u>

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$ 617,611	\$ -	\$ 617,611
Miscellaneous	1,164	-	1,164
<i>Total Operating Cash Receipts</i>	<u>618,775</u>	<u>-</u>	<u>618,775</u>
Operating Cash Disbursements			
Personal Services	124,083	-	124,083
Employee Fringe Benefits	83,334	-	83,334
Contractual Services	114,305	-	114,305
Supplies and Materials	50,760	-	50,760
Other	725	-	725
<i>Total Operating Cash Disbursements</i>	<u>373,207</u>	<u>-</u>	<u>373,207</u>
<i>Operating Income</i>	<u>245,568</u>	<u>-</u>	<u>245,568</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	95	-	95
Earnings on Investments	254	-	254
Other Debt Proceeds	17,263	-	17,263
Miscellaneous Receipts	715	-	715
Capital Outlay	(36,787)	-	(36,787)
Principal Retirement	(134,705)	-	(134,705)
Interest and Other Fiscal Charges	(68,283)	-	(68,283)
Other Non-Operating Cash Receipts	-	22,991	22,991
Other Non-Operating Cash Disbursements	-	(25,100)	(25,100)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(221,448)</u>	<u>(2,109)</u>	<u>(223,557)</u>
<i>Income before Transfers</i>	24,120	(2,109)	22,011
Transfers In	77,567	-	77,567
Transfers Out	(77,000)	-	(77,000)
<i>Net Change in Fund Cash Balances</i>	24,687	(2,109)	22,578
<i>Fund Cash Balances, January 1</i>	<u>365,730</u>	<u>2,869</u>	<u>368,599</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 390,417</u></u>	<u><u>\$ 760</u></u>	<u><u>\$ 391,177</u></u>

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Frazeytsburg, Muskingum County, (the Village) as a body corporate and politic. 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 participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

Public Entity Risk Pool:

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) 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 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

During the period the Village maintained a general checking account, certificate of deposit, savings account, and mayor's court checking account.

The Village has no investments.

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:

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 assessment 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.

4. Fiduciary Funds (Agency Funds)

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

4. Fiduciary Funds (Agency Funds) (Continued)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for Mayor's Court activity.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, 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 commitments are made. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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 FRAZEYSBURG
MUSKINGUM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (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 FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	2014	2013
Demand deposits	\$ 669,511	\$ 677,625
Certificate of deposit	35,048	40,936
Total deposits	\$ 704,559	\$ 718,561

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 ended December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 238,226	\$ 270,099	\$ 31,873
Special Revenue	231,644	223,914	(7,730)
Enterprise	723,136	686,615	(36,521)
Total	\$ 1,193,006	\$ 1,180,628	\$ (12,378)

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 241,433	\$ 194,360	\$ 47,073
Special Revenue	353,328	269,927	83,401
Enterprise	879,674	739,095	140,579
Total	\$ 1,474,435	\$ 1,203,382	\$ 271,053

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 217,081	\$ 237,409	\$ 20,328
Special Revenue	483,155	466,561	(16,594)
Enterprise	749,358	714,669	(34,689)
Total	\$ 1,449,594	\$ 1,418,639	\$ (30,955)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 240,389	\$ 194,094	\$ 46,295
Special Revenue	496,018	366,397	129,621
Enterprise	848,923	703,617	145,306
Total	\$ 1,585,330	\$ 1,264,108	\$ 321,222

4. PROPERTY TAXES

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 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.

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

5. LOCAL INCOME TAX

The Village 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.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
1573 OWDA – 1990 Sewer Loan	\$ 11,536	7.96%
2001 OPWC – Storm Sewer Project	13,193	2.00%
4163 OWDA – 2004 Lift Station Loan	47,727	5.06%
6038 OWDA – Storm Water Improvements	186,223	1.50%
2005 USDA Rural Development Loan A	683,600	4.13%
2005 USDA Rural Development Loan B	136,500	4.13%
2005 USDA Rural Development Loan C	380,500	4.13%
2010 OPWC – Water Treatment Plant Improvements	117,461	0.00%
Total	\$ 1,576,740	

The Ohio Water Development Authority (OWDA) Loan #1573 was for the construction, maintenance, and operation of a wastewater treatment plant completed in 1991. The original loan were for \$89,000 and \$934,090, respectively. The loan will be repaid in semi-annual installments of \$4,257, 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 2001 Ohio Public Works Commission (OPWC) loan relates to a storm sewer project for the Village. The original loan was for \$35,702. The loan will be repaid in semi-annual installments of \$1,087, including interest, over 20 years.

The 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 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 2010 OPWC loan relates to a water treatment plant improvement project. The original loan was for \$138,190. The loan will be repaid in semi-annual installments of \$3,455, including interest, over 20 years.

The OWDA loan #6038 relates to a storm water improvement project. This loan will be repaid back over 20 years with semi-annual installments of \$6,225.

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

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

6. DEBT (Continued)

Year Ended	OWDA #6038	OWDA #1573	OWDA #4163	OPWC #2001W	OPWC #2001S	USDA A,B,C
2015	\$ 12,451	\$ 8,513	\$ 11,992	\$ 6,910	\$ 2,175	\$ 69,939
2016	12,451	4,256	11,992	6,910	2,175	70,126
2017	12,451	-	11,992	6,910	2,175	69,972
2018	12,451	-	11,992	6,910	2,175	69,990
2019	12,451	-	5,996	6,910	2,175	70,170
2020-2024	62,255	-	-	34,550	3,260	350,126
2025-2029	62,255	-	-	34,550	-	350,251
2030-2034	24,902	-	-	13,811	-	349,324
2035-2039	-	-	-	-	-	350,433
2040-2044	-	-	-	-	-	350,493
2045-2049	-	-	-	-	-	71,114
Total	\$ 211,667	\$ 12,769	\$ 53,964	\$ 117,461	\$ 14,135	\$ 2,171,938

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2014 and 2013, OP&F participants contributed 10% from January 1, 2013 to June 30, 2013, 10.75% from July 1, 2013 to June 30, 2014, and 11.5% from July 1, 2014 to December 31, 2014 of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of police participant wages. For 2014 and 2013, 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, 2014.

8. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 is legally separate from its member governments.

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.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

OPRM coverage programs 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 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. 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, 2012 and 2013, the latest information available.

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	<u>(6,687,193)</u>	<u>(7,968,395)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

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

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

10. TRANSFERS

During 2013, the following transfers were made:

	Transfers In	Transfers Out
General	\$ -	\$ 10,030
Swimming Pool	10,030	-
FEMA	-	6,516
Street Construction, Maintenance and Repair	5,949	-
Water Operating	479	-
Sewer Operating	88	-
Water Operating	-	77,000
USDA Water Debt Service	70,000	-
USDA Water Debt Service Reserve	7,000	-
Total	\$ 93,546	\$ 93,546

During 2014, the following transfers were made:

	Transfers In	Transfers Out
General	\$ -	\$ 10,130
Swimming Pool	10,130	-
Sewer State Grant	-	20,166
Sewer Operating	20,166	-
Water Operating	-	77,000
USDA Water Debt Service	70,000	-
USDA Water Debt Service Reserve	7,000	-
Total	\$ 107,296	\$ 107,296

During 2013, the Village transferred money from the Water Operating Fund to the USDA Water Debt Service Fund and the USDA Water Debt Service Reserve Fund in order to pay debt payments and required reserve payments from the appropriate funds. The Village transferred money from the General Fund to the Swimming Pool Fund for swimming pool operations. Transfer to the Street Construction, Maintenance and Repair Fund, Water Operating, and Sewer Operating Funds in order to cover expenses that were originally paid from these funds and the revenue was received and recorded into the FEMA fund and transferred to cover the original expenses.

During 2014, the Village transferred money from the Water Operating Fund to the USDA Water Debt Service Fund and the USDA Water Debt Service Reserve Fund in order to pay debt payments and required reserve payments from the appropriate funds. The Village transferred money from the General Fund to the Swimming Pool Fund for swimming pool operations. Transfer from the Sewer Grant Fund to the Sewer Operating Fund for expenditures that were disbursed out of the Sewer Operating fund and receipted into the Sewer Grant Fund and transferred back to the Sewer Operating Fund.

Transfers for both years were determined to be appropriate and in compliance with the Ohio Revised Code.



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

June 19, 2015

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Village of Frazeytsburg**, Muskingum County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 19, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2014-001 described in the accompanying schedule of audit findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-003 described in the accompanying schedule of audit findings to be a significant deficiency.

...“bringing more to the table”

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support
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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, opining 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 that we must report under *Government Auditing Standards* as finding 2014-002.

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 19, 2015.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness

Posting Receipts and Disbursements

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

During 2014 and 2013, several receipts and disbursements were not posted into accurate classifications based on the source of the receipt or disbursement. The following posting errors were noted:

- Mayor's Court receipts were recorded as a Transfer-in instead of Fines, Licenses and Permits in the General Fund and as a Transfer-out in the Agency Fund instead of Other Non-Operating Cash Disbursements.
- Contributions were recorded as Intergovernmental instead of Miscellaneous receipts.
- Income Tax receipts were recorded as Property and Other Local Taxes instead of Municipal Income Taxes

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications. The accompanying financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook and Ohio Administration Code for guidance to determine the proper establishment of receipt and expenditure accounts and posting of receipts and expenditures.

Management's Response – The Village will make every effort to ensure that receipts and disbursements are recorded according to state requirements.

FINDING NUMBER 2014-002

Noncompliance

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 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:

- Mayor's Court remittances were not made timely to the Village's General Fund.

VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

FINDING NUMBER 2014-002

Noncompliance (Continued)

These weaknesses could allow recording errors and irregularities to occur and remain undetected.

We recommend the Village distribute the correct fines collected by the Village's Mayor's Court to the Village's General Fund and other applicable agencies by the required dates.

Management's Response – From this point, the Village will make every effort to ensure the Mayor's Court proceeds check for the Village is written by the first Monday of the month.

FINDING NUMBER 2014-003

Significant Deficiency

Swimming Pool Receipts

Each swimming pool receipt should have a Daily Cash Report and a Daily Cash Balance Sheet showing the number of admissions sold and total concessions for each day.

The Village did not always present accurate Daily Cash Reports compared to each Daily Cash Balance Sheet. This practice of not reconciling the Daily Cash Report to the Daily Cash Balance Sheet could result in a loss of Village funds.

We recommend all swimming pool receipts reconcile to the supporting documentation for each days collections.

Management's Response – The Village will ensure the swimming pool receipts are reconciled on a daily basis.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Posting Receipts and Expenditures	No	Repeated as Finding 2014-001
2012-002	ORC Section 2743.70 and 2949.091 – Mayor’s Court remittances to State	Yes	N/A
2012-003	ORC Section 733.40 – Mayor’s Court remittances to Village	No	Repeated as Finding 2014-002
2012-004	Complete Income Tax Files	Yes	N/A



Dave Yost • 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
AUGUST 4, 2015**