

VILLAGE OF FREDERICKSBURG

WAYNE COUNTY, OHIO

REGULAR AUDIT

For the Years Ended December 31, 2019 and 2018





88 East Broad Street
Columbus, Ohio 43215
IPARepoort@ohioauditor.gov
(800) 282-0370

Village Council
Village of Fredericksburg
PO Box 278
Fredericksburg, OH 44627

We have reviewed the *Independent Auditor's Report* of the Village of Fredericksburg, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. 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 Fredericksburg is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 16, 2020

This page intentionally left blank.

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY
Regular Audit
For the Years Ended December 31, 2019 and 2018

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors’ Report.....	1-3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2019	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2019	5
Notes to the Financial Statements – For the Year Ended December 31, 2019	6-13
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2018	14
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Proprietary Fund Types - For the Year Ended December 31, 2018	15
Notes to the Financial Statements – For the Year Ended December 31, 2018	16-23
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	24-25
Schedule of Findings	26-31
Prepared by Management:	
Schedule of Prior Audit Findings.....	32
Corrective Action Plan.....	33

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT AUDITORS' REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fredericksburg, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

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 such 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 opinions.

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

As described in Note 2 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, 2019 and 2018, and changes in financial position or its cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

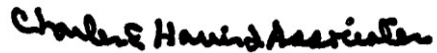
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Fredericksburg, Wayne County, Ohio, as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of matter

As discussed in Note 12 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinions regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2020, 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.



Charles E. Harris & Associates, Inc.
August 27, 2020

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 36,060	\$ 7,459	-	\$ 43,519
Municipal Income Tax	117,576	-	\$ 13,064	130,640
Intergovernmental	26,751	27,256	-	54,007
Fines, Licenses and Permits	6,326	-	-	6,326
Earnings on Investments	1,992	-	-	1,992
Miscellaneous	15,761	-	-	15,761
<i>Total Cash Receipts</i>	<u>204,466</u>	<u>34,715</u>	<u>13,064</u>	<u>252,245</u>
Cash Disbursements				
Current:				
Security of Persons and Property	22,826	7,608	-	30,434
Public Health Services	1,495	-	-	1,495
Leisure Time Activities	3,287	-	-	3,287
Transportation	11,729	-	-	11,729
General Government	68,862	1,145	-	70,007
Capital Outlay	4,100	5,065	-	9,165
<i>Total Cash Disbursements</i>	<u>112,299</u>	<u>13,818</u>	<u>-</u>	<u>126,117</u>
<i>Net Change in Fund Cash Balances</i>	92,167	20,897	13,064	126,128
<i>Fund Cash Balances, January 1</i>	<u>195,919</u>	<u>51,464</u>	<u>37,519</u>	<u>284,902</u>
Fund Cash Balances, December 31				
Restricted	-	72,361	-	72,361
Committed	-	-	50,583	50,583
Assigned	288,086	-	-	288,086
<i>Fund Cash Balances, December 31</i>	<u>\$ 288,086</u>	<u>\$ 72,361</u>	<u>\$ 50,583</u>	<u>\$ 411,030</u>

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

VILLAGE OF FREDERICKSBURG
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Proprietary Fund Types <u>Enterprise Fund</u>
Operating Cash Receipts:	
Charges for Services	\$ 192,478
<i>Total Operating Cash Receipts</i>	192,478
Operating Cash Disbursements	
Personal Services	6,238
Contractual Services	42,479
Supplies and Materials	61,583
<i>Total Operating Cash Disbursements</i>	110,300
<i>Operating Income (Loss)</i>	82,178
Non-Operating Receipts (Disbursements):	
Miscellaneous Receipts	789
Capital Outlay	(6,000)
Principal Retirement	(6,963)
Interest and Other Fiscal Charges	(3,560)
<i>Total Non-Operating Receipts (Disbursements)</i>	(15,734)
<i>Net Change in Fund Cash Balances</i>	66,444
<i>Fund Cash Balance, January 1</i>	130,693
<i>Fund Cash Balance, December 31</i>	\$ 197,137

See accompanying Notes to the Financial Statements.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

The Village of Fredericksburg (the Village), Wayne County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, including maintenance of roads, park operations, and water and sewer utilities. The Village contracts with the Wayne County Sheriff's department to provide security of persons and property.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization, the South Central Fire District, which provides fire and ambulance services for the Village. Note 11 to the financial statements provide additional information for the entity.

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Income Tax Fund has been mapped to the General Fund for the purpose of reporting total receipts and disbursements at year-end.

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 had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Police Levy Fund The police levy fund receives local property tax money to pay for the contract with the Wayne County Sheriff's Department for police protection.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village's Capital Projects fund accounts for income taxes for capital projects.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

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 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 disbursements 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.

Budgetary Process

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

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

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 approve estimated resources.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

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

A summary of 2019 budgetary activity appears in Note 3.

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.

Capital Assets

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

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. Unclaimed monies are classified as nonspendable in the general fund.

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.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or 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.

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 Council or a Village official delegated that authority by resolution or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the general fund.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$193,500	\$204,466	\$10,966
Special Revenue	38,800	34,715	(4,085)
Capital Projects	13,000	13,064	64
Enterprise	183,000	193,267	10,267

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$379,020	\$112,299	\$266,721
Special Revenue	81,000	13,818	67,182
Capital Projects	36,000	0	36,000
Enterprise	310,000	126,823	183,177

Note 4 – 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, 2019 was as follows:

	2019
Demand deposits	\$480,964
Money Market	127,203
Total deposits	\$608,167

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

PNC, the Village's bank is approved for a reduced level of collateral at 50%.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which 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 these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February each year. If the property owner elects to pay semiannually, the first half is due in February. The second half payment is due the following July.

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

Income Taxes

The Village levies a municipal income tax of one 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.

Note 6 - Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 - Risk Management (continued)

Risk Pool Membership (continued)

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.

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. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018 (latest information available).

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

	<u>2018</u>
Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

Social Security

One Village employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
OWDA Loan # 5055	\$172,766	2.00%
Total	\$172,766	

The Ohio Water Development Authority (OWDA) loan #5055 relates to the construction of a municipal water tank improvement project. This loan will be repaid in semiannual installments with a 2.0% interest rate over 30 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Per the OWDA useful life of the water tank and waterlines is 50 years, and therefore, a 30-year term is appropriate for this project. Payments are made from the water fund.

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

Year Ending December 31:	OWDA Loan # 5055
2020	\$10,523
2021	10,523
2022	10,523
2023	10,523
2024	10,523
2025-2029	52,615
2030-2034	52,615
2035-2039	52,615
Total	\$210,460

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Note 11 – Jointly Governed Organization

The South Central Fire District (the District) is a jointly governed organization pursuant to the Ohio Revised Code 505.371. The District was formed in 2008 and consists of the Village of Fredericksburg, Salt Creek Township (Wayne) and Franklin Township. The District board consists of an appointed member from each subdivision.

Note 12 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 13 – Compliance

Contrary to Ohio law, the Village did not encumber all purchases in accordance with Ohio Rev. Code Section 5705.41(D)(1) for the year ended December 31, 2019.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts				
Property and Other Local Taxes	\$ 28,576	\$ 12,708	-	\$ 41,284
Municipal Income Tax	123,379	-	\$ 13,690	137,069
Intergovernmental	20,490	26,668	-	47,158
Fines, Licenses and Permits	6,449	-	-	6,449
Earnings on Investments	674	-	-	674
Miscellaneous	4,134	-	-	4,134
<i>Total Cash Receipts</i>	<u>183,702</u>	<u>39,376</u>	<u>13,690</u>	<u>236,768</u>
Cash Disbursements				
Current:				
Security of Persons and Property	22,496	7,498	-	29,994
Public Health Services	1,428	-	-	1,428
Leisure Time Activities	2,347	-	-	2,347
Transportation	27,141	38,175	-	65,316
General Government	70,110	1,203	-	71,313
Capital Outlay	35,091	-	-	35,091
<i>Total Cash Disbursements</i>	<u>158,613</u>	<u>46,876</u>	<u>-</u>	<u>205,489</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	25,089	(7,500)	13,690	31,279
<i>Fund Cash Balances, January 1</i>	<u>170,830</u>	<u>58,964</u>	<u>23,829</u>	<u>253,623</u>
Fund Cash Balances, December 31				
Restricted	-	51,464	-	51,464
Committed	-	-	37,519	37,519
Assigned	185,520	-	-	185,520
Unassigned	10,399	-	-	10,399
<i>Fund Cash Balances, December 31</i>	<u>\$ 195,919</u>	<u>\$ 51,464</u>	<u>\$ 37,519</u>	<u>\$ 284,902</u>

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Proprietary Fund Types</u> <u>Enterprise Fund</u>
Operating Cash Receipts:	
Charges for Services	\$ 185,596
<i>Total Operating Cash Receipts</i>	185,596
Operating Cash Disbursements	
Personal Services	22,702
Contractual Services	18,747
Supplies and Materials	67,645
<i>Total Operating Cash Disbursements</i>	109,094
<i>Operating Income (Loss)</i>	76,502
Non-Operating Receipts (Disbursements):	
Miscellaneous Receipts	313
Capital Outlay	(1,000)
Principal Retirement	(48,122)
Interest and Other Fiscal Charges	(4,317)
<i>Total Non-Operating Receipts (Disbursements)</i>	(53,126)
Net Change in Fund Cash Balances	23,376
<i>Fund Cash Balance, January 1</i>	107,317
Fund Cash Balance, December 31	<u>\$ 130,693</u>

See accompanying Notes to the Financial Statements.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Fredericksburg (the Village), Wayne County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides general government services, including maintenance of roads, park operations, and water and sewer utilities. The Village contracts with the Wayne County Sheriff's department to provide security of persons and property.

Jointly Governed Organization and Public Entity Risk Pool

The Village participates in a jointly governed organization, the South Central Fire District, which provides fire and ambulance services for the Village. Note 12 to the financial statements provide additional information for the entity.

The Village participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 7 to the financial statements provide additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Income Tax Fund has been mapped to the General Fund for the purpose of reporting total receipts and disbursements at year-end.

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 had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Police Levy Fund The police levy fund receives local property tax money to pay for the contract with the Wayne County Sheriff's Department for police protection.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village's Capital Projects fund accounts for income taxes for capital projects.

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Basis of Accounting

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 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 disbursements 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.

Budgetary Process

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

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

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 approve estimated resources.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Budgetary Process (continued)

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

A summary of 2018 budgetary activity appears in Note 4.

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.

Capital Assets

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

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:

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. Unclaimed monies are classified as nonspendable in the general fund.

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.

Committed Council can *commit* amounts via formal action (ordinance or resolution). The Village must adhere to these commitments unless Council amends the ordinance or 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.

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 Council or a Village official delegated that authority by resolution or by State Statute. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget in the general fund.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

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.

Note 3 – Compliance

Contrary to Ohio law, appropriation exceeded estimated resources in the Police fund – a Special Revenue fund – and the Income Tax fund – a Capital Project fund by \$6,917 and \$37,999 respectively. We also noted that the Village did not encumber all purchases in accordance with Ohio Rev. Code Section 5705.41(D)(1) for the year ended December 31, 2018.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$187,000	\$183,702	(\$3,298)
Special Revenue	38,000	39,376	1,376
Capital Projects	12,000	13,690	1,690
Enterprise	181,000	185,909	4,909

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$312,210	\$158,613	\$153,597
Special Revenue	103,881	46,876	57,005
Capital Projects	73,828	0	73,828
Enterprise	288,317	162,533	125,784

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – 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, 2018 was as follows:

	<u>2018</u>
Demand deposits	\$289,710
Money Market	125,885
Total deposits	<u><u>\$415,595</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

PNC, the Village's bank is approved for a reduced level of collateral at 50%.

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which 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 these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County in February each year. If the property owner elects to pay semiannually, the first half is due in February. The second half payment is due the following July.

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

Income Taxes

The Village levies a municipal income tax of one 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 Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 - Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 764 members as of December 31, 2017 (latest information available).

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 equity at December 31, 2017.

	<u>2017</u>
Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

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

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2018.

Social Security

One Village employee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018.

Note 10 – Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OWDA Loan # 5055	\$179,729	2.00%
Total	\$179,729	

The Ohio Water Development Authority (OWDA) loan #5055 relates to the construction of a municipal water tank improvement project. This loan will be repaid in semiannual installments with a 2.0% interest rate over 30 years. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. Per the OWDA useful life of the water tank and waterlines is 50 years, and therefore, a 30-year term is appropriate for this project. Payments are made from the water fund.

Village of Fredericksburg
Wayne County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 10 – Debt (continued)

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

Year Ending December 31:	OWDA Loan # 5055
2019	\$10,523
2020	10,523
2021	10,523
2022	10,523
2023	10,523
2024-2028	52,615
2029-2033	52,615
2034-2038	52,615
2039-2040	10,523
Total	<u>\$220,983</u>

Note 11 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Note 12 – Jointly Governed Organization

The South Central Fire District (the District) is a jointly governed organization pursuant to the Ohio Revised Code 505.371. The District was formed in 2008 and consists of the Village of Fredericksburg, Salt Creek Township (Wayne) and Franklin Township. The District board consists of an appointed member from each subdivision.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

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

INDEPENDENT AUDITOR'S 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, Ohio 44627

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 cash balances, receipts, and disbursements by fund type of the Village of Fredericksburg, Wayne County, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated August 27, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

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.

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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2019-001 through 2019-004 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, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2019-004 through 2019-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 27, 2020.

Village's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not subject the Village's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
August 27, 2020

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
December 31, 2019 and 2018**

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

FINDING NUMBER 2019-001

Material Weakness – Bank Reconciliation

A necessary step in the internal control over financial reporting is to perform bank to book cash reconciliations. Performing these reconciliations means accounting for the differences between the balance on the bank statements and the cash and investment balances according to the Village’s records at a specific point in time.

During 2019 and 2018, the Village did not fully reconcile the balance of the bank to the balance of the cash in the accounting records, resulting in unreconciled differences in 2019 and 2018. A primary cause of the unreconciled difference was due to unrecorded interest, transactions not being recorded in the accounting system, receipts from the state and other agencies that remit payments electronically in the Village’s bank account; transactions paid electronically from the bank account.

Without complete and accurate monthly bank reconciliations, the Village’s internal control is significantly weakened which could hinder the timely detection of errors or irregularities by the Village’s management. In addition, the Village’s management and Council are not provided with timely fiscal information that is vital to the continued operation and decision-making process of the Village.

The Village should prepare accurate monthly bank reconciliations in a timely manner. All unreconciled differences should be resolved and appropriately documented as quickly as possible so they are not carried forward from month to month.

Management Response:

See Corrective Action Plan.

FINDING NUMBER 2019-002

Material Weakness - Financial Statement Presentation

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF FINDINGS-Continued
December 31, 2019 and 2018**

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

FINDING NUMBER 2019-002 (continued)

Material Weakness - Financial Statement Presentation (continued)

The Village did not always accurately post receipts and expenditures to the Village's accounting system and financial statements. Incorrect postings identified included the following:

- Recorded cable franchise fees as intergovernmental receipts instead of license permit and fees.
- In 2019, investment earnings were not included in the Quicken Registers.
- Intergovernmental receipts were posted to tax receipts in the General Fund.
- Permissive Fund intergovernmental revenue was posted to the General Fund.
- Permissive Fund intergovernmental revenue was posted to the Street Fund.
- Tax receipts were posted to intergovernmental receipts in the General Fund.
- Recorded park related expenses as general government instead of leisure time activities.
- Principal (non-operating disbursements) was posted to other (operating disbursements) in the Water Fund.
- Interest (non-operating disbursements) was posted to materials and supplies (operating disbursements) in the Water Fund.
- In 2019 and 2018, \$201,815 and \$185,520 respectively, of Assigned Fund Balance related to subsequent year's appropriations exceeding estimated receipts was classified as Unassigned Fund Balance in the General Fund.
- Fund Balances were reported as Assigned Fund Balance in the Street, Permissive, and Police Funds rather than Restricted.
- Transportation activities for the Special Revenue were recorded as General Fund activities
- The Village's notes to the financial statements were not complete and accurate. Changes were made to information contained within the notes that were prepared by the Village.

These amounts were adjusted to the Village's accounting system and financial statements.

Not posting receipts and disbursements accurately to the ledgers could result in the financial statements requiring audit reclassifications; furthermore, inaccurate accounting records could make it difficult for the Village Council to effectively monitor the Village's activities or identify misstatements or errors in a timely manner. Additionally, without accurate and complete notes to the financial statements, the Village is at risk of omitting information important to understanding the financial position of the Village. By not posting transactions to the correct fund, it does not allow Council to review accurate financial information as a basis for Village decisions. The Village should exercise due care when posting receipts to ensure receipts are posted to the correct funds. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting. Management can refer to the Village Officer's Handbook, Governmental Accounting Standards Board Statement 54, Audit Bulletin 2011-004 and other Auditor of State guidance to properly classify its transactions.

Management's Response:

See Corrective Action Plan.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF FINDINGS-Continued
December 31, 2019 and 2018**

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

FINDING NUMBER 2019-003

Material Weakness – Reconciliation of Income Tax Receipts to Deposits

A well-designed accounting system and accounting records would enable the entity to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The system should include procedures to assure all revenues are receipted and deposited to the credit of the entity.

We noted that a reconciliation of receipts to the applicable deposits was not maintained for income tax receipts. More specifically, it required additional audit procedures to identify the specific deposits that included monies corresponding to receipts tested for income tax. The receipts were deposited along with other receipts, and the Village only documented total checks on the deposit slip and did not provide a breakdown on the deposit slip, or a separate receipt log, to identify the specific receipts which made up the total deposit amount.

Without these reconciliations, discrepancies could occur between monies collected and amounts deposited, and remain undetected. In addition, these weaknesses could result in increased audit hours being necessary in order to verify that amounts collected were appropriately deposited.

We recommend a daily reconciliation of cash collections, duplicate receipts, and deposits be documented and maintained. A deposit slip should be filled out, and when cash is deposited, documentation should be maintained to identify each duplicate receipt making up the total cash deposit.

Management’s Response:

See Corrective Action Plan.

FINDING NUMBER 2019-004

Non-Compliance/Material Weakness – Income Tax Allocation

Village of Fredericksburg Ordinance 1011-1, which was passed for the first time in 2016, states that 90 percent of net available income tax receipts shall be used to defray operating expenses of the Village and 10 percent of the net available income tax receipts shall be set aside for capital improvements.

During 2019 & 2018, the income tax receipts were not allocated in accordance with the ordinance in place. Income tax receipts were posted to incorrect funds. This resulted in an audit adjustment from the General Fund to the Capital Projects Fund in the amounts of \$13,064 in 2019 and \$13,690 in 2018.

These amounts were adjusted to the Village's accounting system and financial statements.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF FINDINGS-Continued
December 31, 2019 and 2018**

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

FINDING NUMBER 2019-004 (continued)

Non-Compliance/Material Weakness – Income Tax Allocation (continued)

By not posting income taxes to the correct funds, inaccurate accounting records could make it difficult for the Village Council to effectively monitor the Village's activities or identifying misstatements or errors in a timely manner. Also, income tax receipts may not be used for intended purposes.

We recommend the Village allocate income tax receipts in accordance with ordinances approved by Village Council. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

Management's Response:

See Corrective Action Plan.

FINDING NUMBER 2019-005

Material Noncompliance - Appropriations Exceeding Estimated Resources:

Ohio Revised Code Section § 5705.39 states, in part, that "...The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..."

In 2018, the police fund – a special revenue fund – and the income tax fund – a capital project fund appropriations exceeded estimated resources by \$\$6,917 and \$37,999 respectively.

We recommend that the Village monitor estimated resources and appropriations and amend as necessary to avoid exceeding estimated resources.

Management's Response:

See Corrective Action Plan.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF FINDINGS-Continued
December 31, 2019 and 2018**

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

FINDING NUMBER 2019-006

Material Noncompliance - Fiscal Officer's Certification of Expenditures

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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 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 Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificates - Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by ordinance or resolution adopted by a majority of members of the legislative authority against any specific line item amount 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 Certificates – The Village may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF FINDINGS-Continued
December 31, 2019 and 2018**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)</p>

FINDING NUMBER 2019-006 (continued)

Material Noncompliance - Fiscal Officer's Certification of Expenditures (continued)

The Village did not make the proper certification of funds for 88% and 100% of the disbursements tested for 2018 and 2019, respectively.

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 expenditures exceeding budgetary spending limitations, we recommend that the Village certify expenditures prior to incurring the liability. Also, we recommend the Village only use "then and now" certificates for items under \$3,000 and to have all certificates approved by Council. This will assist in keeping adequate controls over disbursements and encumbrances.

Management's Response:

See Corrective Action Plan.

**Village of Fredericksburg
Wayne County**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Prepared by Management)
December 31, 2019 and 2018**

FINDING NUMBER	FINDING SUMMARY	STATUS	ADDITIONAL INFORMATION
2017-001	Material weakness – Financial Statement Presentation	Not Corrected	See Corrective Action Plan
2017-002	Material weakness – Reconciliation of Income Tax Receipts to Deposits	Not Corrected	See Corrective Action Plan
2017-003	Non-compliance/Material weakness – Income Tax Allocation	Not Corrected	See Corrective Action Plan
2017-004	Non-compliance/Material weakness – Revenue Posting Error	Not Corrected	See Corrective Action Plan
2017-005	Non-compliance/Material weakness – Recording On-Behalf Grants	Finding no Longer Valid	

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**CORRECTIVE ACTION PLAN
(Prepared by Management)
December 31, 2019 and 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	The Village has changed financial programs to the Uniform Accounting System which will help maintain bank reconciliations for more accurate records.	Immediately	Shawn McKelvey, Fiscal Officer
2019-002	The Village has changed financial programs to the Uniform Accounting System which will support a more accurate financial statement year after year.	Immediately	Shawn McKelvey, Fiscal Officer
2019-003	Corrective measures have been taken to accurately determine deposits being made with reports which are filed by the Fiscal Officer.	Immediately	Shawn McKelvey, Fiscal Officer
2019-004	The Village will make the appropriate corrections	Immediately	Shawn McKelvey, Fiscal Officer
2019-005	The Village has changed financial programs to the Uniform Accounting System which will support more accurate reports to avoid exceeding estimated resources.	Immediately	Shawn McKelvey, Fiscal Officer
2019-006	The Fiscal Officer has already made corrections for the next audit period.	Immediately	Shawn McKelvey, Fiscal Officer

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF FREDERICKSBURG

WAYNE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/1/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov