

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY
Regular Audit
For the Years Ended December 31, 2013 and 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Fredericksburg, Wayne County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2013. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 3, 2014

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VILLAGE OF FREDERICKSBURG
WAYNE COUNTY

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INDEPENDENT AUDITOR'S REPORT

September 12, 2014

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 and related notes of the **Village of Fredericksburg**, Wayne County, (the Village) as of and for the years ended December 31, 2013 and 2012.

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.

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, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, 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 Fredericksburg, Wayne County, as of December 31, 2013 and 2012, 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 September 12, 2014, 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 FREDERICKSBURG
WAYNE COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 25,496	\$ 14,392	\$ 39,888
Municipal Income Tax	103,012	-	103,012
Intergovernmental	11,843	26,159	38,002
Fines, Licenses and Permits	5,933	-	5,933
Earnings on Investments	377	-	377
Miscellaneous	6,037	220	6,257
<i>Total Cash Receipts</i>	<u>152,698</u>	<u>40,771</u>	<u>193,469</u>
Cash Disbursements			
Current:			
Security of Persons and Property	6,545	27,030	33,575
Public Health Services	1,505	-	1,505
Leisure Time Activities	2,185	-	2,185
Transportation	121,873	33,214	155,087
General Government	40,838	-	40,838
Debt Service:			
Principal Retirement	9,759	-	9,759
Interest and Fiscal Charges	705	-	705
<i>Total Cash Disbursements</i>	<u>183,410</u>	<u>60,244</u>	<u>243,654</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(30,712)</u>	<u>(19,473)</u>	<u>(50,185)</u>
<i>Fund Cash Balances, January 1</i>	<u>87,897</u>	<u>68,445</u>	<u>156,342</u>
Fund Cash Balances, December 31			
Restricted	-	48,972	48,972
Unassigned	57,185	-	57,185
<i>Fund Cash Balances, December 31</i>	<u>\$ 57,185</u>	<u>\$ 48,972</u>	<u>\$ 106,157</u>

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

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

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 179,258
Miscellaneous	770
	180,028
<i>Total Operating Cash Receipts</i>	<i>180,028</i>
Operating Cash Disbursements	
Personal Services	21,796
Contractual Services	15,686
Supplies and Materials	47,472
Other	999
	85,953
<i>Total Operating Cash Disbursements</i>	<i>85,953</i>
<i>Operating Income</i>	<i>94,075</i>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(74,231)
Interest and Other Fiscal Charges	(20,587)
	(94,818)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(94,818)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(743)</i>
<i>Fund Cash Balances, January 1</i>	<i>100,695</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 99,952</i>

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 16,386	\$ 17,926	\$ 34,312
Municipal Income Tax	65,213	-	65,213
Intergovernmental	12,975	26,867	39,842
Fines, Licenses and Permits	6,194	-	6,194
Earnings on Investments	531	-	531
Miscellaneous	5,195	-	5,195
<i>Total Cash Receipts</i>	<u>106,494</u>	<u>44,793</u>	<u>151,287</u>
Cash Disbursements			
Current:			
Security of Persons and Property	6,404	26,026	32,430
Public Health Services	1,606	-	1,606
Leisure Time Activities	1,815	-	1,815
Transportation	2,763	25,517	28,280
General Government	44,497	-	44,497
Capital Outlay	40,000	-	40,000
<i>Total Cash Disbursements</i>	<u>97,085</u>	<u>51,543</u>	<u>148,628</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>9,409</u>	<u>(6,750)</u>	<u>2,659</u>
Other Financing Receipts			
Other Debt Proceeds	30,000	-	30,000
<i>Total Other Financing Receipts</i>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<i>Net Change in Fund Cash Balances</i>	39,409	(6,750)	32,659
<i>Fund Cash Balances, January 1</i>	<u>48,488</u>	<u>75,195</u>	<u>123,683</u>
Fund Cash Balances, December 31			
Restricted	-	68,445	68,445
Unassigned	87,897	-	87,897
<i>Fund Cash Balances, December 31</i>	<u>\$ 87,897</u>	<u>\$ 68,445</u>	<u>\$ 156,342</u>

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 173,149
Miscellaneous	1,870
	175,019
Operating Cash Disbursements	
Personal Services	35,448
Contractual Services	15,283
Supplies and Materials	42,648
Other	1,201
	94,580
<i>Total Operating Cash Receipts</i>	<i>175,019</i>
<i>Total Operating Cash Disbursements</i>	<i>94,580</i>
<i>Operating Income</i>	<i>80,439</i>
Non-Operating Receipts (Disbursements)	
Principal Retirement	(71,390)
Interest and Other Fiscal Charges	(23,428)
	(94,818)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(94,818)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(14,379)</i>
<i>Fund Cash Balances, January 1</i>	<i>115,074</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 100,695</i>

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fredericksburg, Wayne County (the Village), as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides general governmental 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. At the end of 2008, the Village joined the South Central Fire District to provide fire protection and rescue services.

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

Public Entity Risk Pool:

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

The General Fund 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 had the following significant Special Revenue Funds:

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

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

3. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends that 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.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2013 and 2012 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.

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.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2013	2012
Demand Deposits	\$ (1,383)	\$ 4,866
Sweep Account	207,492	252,171
Total Deposits and Investments	\$ 206,109	\$ 257,037

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 142,000	\$ 152,698	\$ 10,698
Special Revenue	44,400	40,771	(3,629)
Enterprise	190,000	180,028	(9,972)
Total	\$ 376,400	\$ 373,497	\$ (2,903)

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 229,895	\$ 183,410	\$ 46,485
Special Revenue	112,843	60,244	52,599
Enterprise	290,690	180,771	109,919
Total	\$ 633,428	\$ 424,425	\$ 209,003

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 127,000	\$ 136,494	\$ 9,494
Special Revenue	46,400	44,793	(1,607)
Enterprise	176,000	175,019	(981)
Total	\$ 349,400	\$ 356,306	\$ 6,906

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 175,000	\$ 97,085	\$ 77,915
Special Revenue	120,900	51,543	69,357
Enterprise	291,200	189,398	101,802
Total	\$ 587,100	\$ 338,026	\$ 249,074

Contrary to Ohio law, the Village did not properly certify the availability of resources for 100% of non-payroll disbursements.

4. PROPERTY TAX

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

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

5. DEBT

Debt outstanding at December 31, 2013 is as follows:

Debt	Principal	Interest Rate
OWDA Loan #2267	\$343,032	4.12%
OWDA Loan #5055	212,543	2.00%
Bank Loan	20,241	2.65%
	\$575,816	

The Ohio Water Development Authority (OWDA) loan #2267 relates to the construction of a municipal wastewater treatment plant and a sanitary sewer system. This loan will be repaid in semiannual installments with 4.12% interest over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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 2.0% interest 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 the useful life of the water tank and waterlines is 50 years, and therefore, a 30 year term is appropriate for this project.

The Bank Loan relates to the purchase of a new truck for Village use in 2012. The original amount of the loan is \$30,000 and is payable in monthly installments over 3 years.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

	OWDA #2267	OWDA #5055	Bank Loan
Year ending December 31:			
2014	\$ 84,294	\$ 10,523	\$10,420
2015	84,294	10,523	10,400
2016	84,294	10,523	-
2017	84,294	10,523	-
2018	84,294	10,523	-
2019-2023	-	52,615	-
2024-2028	-	52,615	-
2029-2033	-	52,615	-
2034-2038	-	52,615	-
2039-2042	-	15,786	-
Total	\$ 421,470	\$ 278,861	\$20,820

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

6. RETIREMENT SYSTEMS

The Village's 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. For 2013 and 2012, OPERS members contributed 10% of their gross salaries, and the Village contributed an amount equaling 14% respectively, of participants' gross salaries. The Village had paid all contributions required through December 31, 2013.

7. RISK MANAGEMENT

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.

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 equity at December 31, 2012 and 2013.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Continued)**

7. RISK MANAGEMENT (Continued)

	<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.

8. LOCAL INCOME TAX

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.

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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

September 12, 2014

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 **Village of Fredericksburg**, Wayne County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated September 12, 2014 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 opinion 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 material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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 internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-004 described in the accompanying schedule of audit findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards* which are identified in the accompanying schedule of audit findings as item 2013-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 12, 2014.

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

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 2013 and 2012, several receipts and disbursements were not posted into the correct fund or accurate receipt and disbursement classifications based on the source of the receipt or nature of the disbursement. The following posting errors were noted:

- Debt payments were not properly recorded as Principal Retirement and Interest and Other Fiscal Charges
- Debt Proceeds and the corresponding capital outlay disbursement were not recorded
- An unallowable transfer from the Water Fund to the Sewer Fund was recorded
- Cable franchise fees were improperly recorded as Miscellaneous receipts and Intergovernmental receipts instead of Fines, Licenses and Permits
- Property Tax Rollback receipts were improperly recorded as Property and Other Local Taxes instead of Intergovernmental in the Police Levy Fund
- Miscellaneous disbursements were improperly recorded as Interest and Other Fiscal Charges in the General Fund
- Tap fees were improperly recorded as Miscellaneous receipts instead of Charges for Services in the Water and Sewer Funds
- A disbursement for a down payment on a truck was reclassified in the General Fund from General Government to Capital Outlay
- Several disbursements required reclassification in the Sewer Fund from Supplies and Materials to Contractual Services

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications and an adjustment. The Village agrees to all reclassifications and adjustments. The financial statements reflect all reclassifications and the Village has posted the adjustment to their accounting system.

We recommend the Fiscal Officer refer to Ohio Administrative Code and/or the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

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

FINDING NUMBER 2013-002

Material Weakness/Noncompliance

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002 (Continued)

Material Weakness/Noncompliance (Continued)

Ohio Revised Code Section 5705.41(D) (Continued)

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

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 100% of items tested in 2013 and 100% of items tested in 2012, and there was no evidence that the Village followed the aforementioned exceptions. Without these certifications, the management of the Village could lose budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's disbursements exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used. Additionally, the Fiscal Officer should open super blanket purchase orders at the beginning of a contract and carry forward the remaining encumbrances at year-end so management can see what resources of the Village have been committed.

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

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-003

Material Weakness

Complete Income Tax Files

The income tax files should include the tax return, withholding remittance, and any other supporting documentation to support the tax return or remittances. The file should also have a copy of the receipt and source of payment.

The Village did not always present complete income tax files. This practice and lack of adequate supporting documentation could result in loss of Village funds or personal liability of the Village's Officials.

We recommend that all income tax files be supported by complete tax returns, withholding remittances, and any other supporting documentation to support the tax return or remittances.

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

FINDING NUMBER 2013-004

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 several 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 – We did not receive a response from officials to this finding.

**VILLAGE OF FREDERICKSBURG
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	ORC 5705.41(D)	No	Not Corrected; Repeated as Finding 2013-002
2011-002	Financial Reporting – Posting Receipts and Disbursements	No	Not Corrected; Repeated as Finding 2013-001

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Dave Yost • Auditor of State

VILLAGE OF FREDERICKSBURG

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 13, 2014**