



Dave Yost • Auditor of State



VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2017 .....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary Fund Types For the Year Ended December 31, 2017 .....	4
Notes to the Financial Statements For the Year Ended December 31, 2017 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2016 .....	13
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary Fund Types For the Year Ended December 31, 2016 .....	14
Notes to the Financial Statements For the Year Ended December 31, 2016 .....	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	23
Schedule of Findings .....	25
Summary Schedule of Prior Audit Findings (Prepared by Management) .....	31

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, 2017 and 2016.

### ***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, 2017 and 2016, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Fredericksburg, Wayne County as of December 31, 2017 and 2016, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2018, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 5, 2018

**VILLAGE OF FREDERICKSBURG**  
*Wayne County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$29,788	\$10,703	\$0	\$40,491
Municipal Income Tax	112,255	0	12,149	124,404
Intergovernmental	17,876	26,722	0	44,598
Earnings on Investments	141	0	0	141
Miscellaneous	12,581	0	0	12,581
<i>Total Cash Receipts</i>	<u>172,641</u>	<u>37,425</u>	<u>12,149</u>	<u>222,215</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	13,259	21,906	0	35,165
Public Health Services	1,390	0	0	1,390
Leisure Time Activities	3,300	0	0	3,300
Transportation	74,487	1,427	0	75,914
General Government	34,338	148	0	34,486
Capital Outlay	65,190	0	0	65,190
<i>Total Cash Disbursements</i>	<u>191,964</u>	<u>23,481</u>	<u>0</u>	<u>215,445</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,323)</u>	<u>13,944</u>	<u>12,149</u>	<u>6,770</u>
<i>Net Change in Fund Cash Balances</i>	(19,323)	13,944	12,149	6,770
<i>Fund Cash Balances, January 1</i>	<u>190,153</u>	<u>45,020</u>	<u>11,680</u>	<u>246,853</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	58,964	0	58,964
Committed	0	0	23,829	23,829
Assigned	125,210	0	0	125,210
Unassigned (Deficit)	45,620	0	0	45,620
<i>Fund Cash Balances, December 31</i>	<u>\$170,830</u>	<u>\$58,964</u>	<u>\$23,829</u>	<u>\$253,623</u>

*See accompanying notes to the basic financial statements*

**VILLAGE OF FREDERICKSBURG**  
*Wayne County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2017*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$186,792
<i>Total Operating Cash Receipts</i>	186,792
<b>Operating Cash Disbursements</b>	
Personal Services	29,504
Contractual Services	12,231
Supplies and Materials	53,397
Claims	7,344
<i>Total Operating Cash Disbursements</i>	102,476
<i>Operating Income</i>	84,316
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	49,228
Capital Outlay	(49,228)
Principal Retirement	(86,801)
Interest and Other Fiscal Charges	(6,879)
<i>Total Non-Operating (Disbursements)</i>	(93,680)
<i>Net Change in Fund Cash Balances</i>	(9,364)
<i>Fund Cash Balances, January 1</i>	116,681
<i>Fund Cash Balances, December 31</i>	\$107,317

*See accompanying notes to the basic financial statements*



**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**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 6 to the financial statements provides additional information for the entity.

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

***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.

***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.

***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.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

***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.

***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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***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.

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

***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.

A summary of 2017 budgetary activity appears in Note 3.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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.

***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 (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.

***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.

***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.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$234,740	\$172,641	(\$62,099)
Special Revenue	38,000	37,425	(575)
Capital Projects	12,000	12,149	149
Enterprise	181,000	236,020	55,020
Total	\$465,740	\$458,235	(\$7,505)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$306,385	\$191,964	\$114,421
Special Revenue	86,021	23,481	62,540
Capital Projects	58,378	0	58,378
Enterprise	297,679	245,384	52,295
Total	\$748,463	\$460,829	\$287,634

**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 was as follows:

Demand deposits	2017 \$235,729
Money Market	125,211
Total deposits	360,940

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 5 – Taxes**

***Property Taxes***

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

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 – 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 7 - Risk Management**

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 (if material).

***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.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

**Note 7 - Risk Management (Continued)**

***Risk Pool Membership (Continued)***

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% 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, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016 (the 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, 2016 (the latest information available).

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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. 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, 2017.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

---

---

**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 members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Note 10 – Debt**

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #2267	\$41,296	4.12%
OWDA Loan #5055	\$186,556	2.00%
Total	<u>\$227,852</u>	

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 a 4.12% interest rate 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. Payments are made from the sewer fund.

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, 2017*

---

**Note 10 – Debt (Continued)**

*Amortization*

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

Year Ending December 31:	OWDA Loan	OWDA Loan
2018	\$41,916	\$10,523
2019		10,523
2020		10,523
2021		10,523
2022		10,523
2023-2027		52,615
2028-2032		52,615
2033-2037		52,615
2038-2039		21,046
Total	\$41,916	\$231,506



**VILLAGE OF FREDERICKSBURG**  
*Wayne County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$30,370	\$10,892	\$0	\$41,262
Municipal Income Tax	108,243	0	11,680	119,923
Intergovernmental	17,883	25,461	0	43,344
Earnings on Investments	69	0	0	69
Miscellaneous	20,953	0	0	20,953
<i>Total Cash Receipts</i>	<u>177,518</u>	<u>36,353</u>	<u>11,680</u>	<u>225,551</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	12,402	21,611	0	34,013
Public Health Services	1,395	0	0	1,395
Leisure Time Activities	2,997	0	0	2,997
Community Environment	0	0	0	0
Basic Utility Services	3,206	0	0	3,206
Transportation	48,669	1,771	0	50,440
General Government	30,978	0	0	30,978
Capital Outlay	11,103	0	0	11,103
Debt Service:				
Principal Retirement	10,000	0	0	10,000
<i>Total Cash Disbursements</i>	<u>120,750</u>	<u>23,382</u>	<u>0</u>	<u>144,132</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>56,768</u>	<u>12,971</u>	<u>11,680</u>	<u>81,419</u>
<i>Net Change in Fund Cash Balances</i>	56,768	12,971	11,680	81,419
<i>Fund Cash Balances, January 1</i>	<u>133,385</u>	<u>32,049</u>	<u>0</u>	<u>165,434</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	0	45,020	0	45,020
Committed	0	0	11,680	11,680
Assigned	71,645	0	0	71,645
Unassigned (Deficit)	118,508	0	0	118,508
<i>Fund Cash Balances, December 31</i>	<u>\$190,153</u>	<u>\$45,020</u>	<u>\$11,680</u>	<u>\$246,853</u>

*See accompanying notes to the basic financial statements*

**VILLAGE OF FREDERICKSBURG**  
*Wayne County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Proprietary Fund Types*  
*For the Year Ended December 31, 2016*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$180,733
Miscellaneous	850
<i>Total Operating Cash Receipts</i>	<i>181,583</i>
<b>Operating Cash Disbursements</b>	
Personal Services	29,780
Contractual Services	10,779
Supplies and Materials	49,945
<i>Total Operating Cash Disbursements</i>	<i>90,504</i>
<i>Operating Income</i>	<i>91,079</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Principal Retirement	(73,468)
Interest and Other Fiscal Charges	(5,628)
<i>Total Non-Operating (Disbursements)</i>	<i>(79,096)</i>
<i>Net Change in Fund Cash Balances</i>	<i>11,983</i>
<i>Fund Cash Balances, January 1</i>	<i>104,698</i>
<i>Fund Cash Balances, December 31</i>	<i>\$116,681</i>

*See accompanying notes to the basic financial statements*

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**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 6 to the financial statements provides additional information for the entity.

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

***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.

***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.

***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.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Fund Accounting (Continued)***

***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.

***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 Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

***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.

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

***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 2016 budgetary activity appears in Note 3.

**Village of Fredericksburg**  
Wayne County  
Notes to the Financial Statements  
For the Year Ended December 31, 2016

---

**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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.

***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 (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.

***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.

***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.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$171,000	\$177,518	\$6,518
Special Revenue	40,500	36,353	(4,147)
Capital Projects	0	11,680	11,680
Enterprise	184,000	181,583	(2,417)
Total	\$395,500	\$407,134	\$11,634

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$304,385	\$120,750	\$183,635
Special Revenue	72,548	23,382	49,166
Capital Projects	0	0	0
Enterprise	288,699	169,600	119,099
Total	\$665,632	\$313,732	\$351,900

**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 was as follows:

Demand deposits	2016 \$238,464
Money Market	125,070
Total deposits	363,534

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 5 – Taxes**

***Property Taxes***

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

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 – 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 7 - Risk Management**

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 (if material).

***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.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 7 - Risk Management (Continued)**

***Risk Pool Membership (Continued)***

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% 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, 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

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, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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. 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, 2016.



**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**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 members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Note 10 – Debt**

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #2267	\$121,405	4.12%
OWDA Loan #5055	\$193,248	2.00%
Total	<u>\$314,653</u>	

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 a 4.12% interest rate 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. Payments are made from the sewer fund.

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 general fund and water fund.

**Village of Fredericksburg**  
*Wayne County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

---

**Note 10 – Debt (Continued)**

*Amortization*

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

Year Ending December 31:	OWDA Loan	OWDA Loan
2017	\$83,157	\$10,523
2018	41,916	10,523
2019		10,523
2020		10,523
2021		10,523
2022-2026		52,615
2027-2031		52,615
2032-2036		52,615
2037-2039		31,570
Total	\$125,073	\$242,030



# Dave Yost • Auditor of State

## 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, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated September 5, 2018 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.

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 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 2017-001 through 2017-005 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 2017-003 through 2017-005.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 5, 2018

VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

**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.

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:

- In 2016, \$10,000 of debt principal was posted to basic utility services in the General Fund.
- In 2017, \$3,488 of intergovernmental receipts was posted to tax receipts in the General Fund.
- In 2016, \$255 of tax receipts was posted to intergovernmental receipts in the General Fund.
- In 2017, \$141 of investment earnings was adjusted to the financial statements since it was not included in the Quicken Registers.
- In 2017 and 2016, \$80,109 and \$66,908, respectively, of principal (non-operating disbursements) was posted to other (operating disbursements) in the Sewer Fund.
- In 2017 and 2016, \$3,047 and \$1,665, respectively, of interest (non-operating disbursements) was posted to materials and supplies in the Sewer Fund.
- In 2017, \$6,692 of principal (non-operating disbursements) was posted to other (operating disbursements) in the Water Fund.
- In 2016, \$6,560 of principal (non-operating disbursements) was posted to materials and supplies in the Water Fund.
- In 2017 and 2016, \$3,832 and \$1,965 of interest (non-operating disbursements) was posted to materials and supplies in the Water Fund.
- In 2016, \$1,998 of interest (non-operating disbursements) was posted to other (operating disbursements) in the Water Fund.

VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-001 (Continued)

**Material Weakness - Financial Statement Presentation (Continued)**

- In 2017 and 2016, \$125,210 and \$71,645, respectively, of Assigned Fund Balance related to subsequent year's appropriations exceeding estimated receipts was classified as Unassigned Fund Balance in the General Fund.
- In 2016, \$23,640, \$10,591, and \$13,791 of Restricted Fund Balance were reported as Committed Fund Balance in the Street, Permissive, and Police Funds, respectively.
- The Villages notes to the financial statements were not complete and accurate. The notes to the financial statements did not include a property tax note, an accurate risk management note, post-employment benefit note or budget versus actual budgetary basis expenditures note. Additionally, 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.

**Officials' Response:** We did not receive a response from officials to this finding.

VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-002

**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.

**Officials' Response:** We did not receive a response from officials to this finding.

VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-003

**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 2016 & 2017, 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 \$11,680 in 2016 and \$367 in 2017. These amounts were adjusted to the Village's accounting system and financial statements.

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

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.

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.

**Officials' Response:** We did not receive a response from officials to this finding.



VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-004

**Non-Compliance/Material Weakness – Revenue Posting Error**

**Ohio Rev. Code § 5705.10 (C)** states that all revenue that is derived from a special levy is to be credited to a special fund for the purpose for which the levy is made. Additionally, **Ohio Rev. Code § 5705.10 (D)** indicates all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. The following adjustments were noted.

- In 2017 and 2016, \$10,703 and \$10,892, respectively, of Special Revenue Tax revenue was posted to the General Fund.
- In 2017 and 2016, \$14,553 and \$14,775, respectively, of General Fund tax revenue was posted to the Special Revenue funds.
- In 2017 and 2016, \$653 and \$663, respectively, of General Fund intergovernmental revenue was posted the Police Special Revenue Fund.
- In 2017 and 2016, \$203 and \$1,688, respectively, of Street Fund intergovernmental revenue was posted to the General Fund.
- In 2017, \$472 of Permissive Fund intergovernmental revenue was posted to the General Fund.
- In 2016, \$263 of Permissive Fund intergovernmental revenue was posted to the Street Fund.
- In 2017 and 2016, \$85 and \$144, respectively, of General Fund tax revenue was posted to the Special Revenue funds intergovernmental revenue.

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

By not posting transactions to the correct fund, it does not allow the 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.

**Officials' Response:** We did not receive a response from officials to this finding.

VILLAGE OF FREDERICKSBURG  
WAYNE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)

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

FINDING NUMBER 2017-005

**Non-Compliance/Material Weakness: Recording On-Behalf Grants**

**Ohio Rev. Code § 5705.42** requires, in part, that when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Village did not record the related revenues and expenditures for an Ohio Public Works Commission (OPWC) Project of \$49,228 for the year ended December 31, 2017. The Village's Issue 2 monies went directly from OPWC to the appropriate contractor, as is common procedure with Issue 2 funding, and the Village did not record these monies coming into the Village or being expended to the contractor and failed to record the appropriations within its accounting records as required.

The financial statements and footnotes include the proper adjustments to reflect the Issue 2 project within the Water Enterprise Fund.

Failure to record these amounts results in an understatement of receipts and disbursements on the Village's financial statements.

We recommend the Village be cognizant of on-behalf programs and record the activity properly in their accounting system.

**Officials' Response:** We did not receive a response from officials to this finding.

**VILLAGE OF FREDERICKSBURG  
 206 NORTH MILL STREET  
 FREDERICKSBURG, OH 44627  
 PHONE: (330) 695-2011 FAX: (330) 695-3632**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**DECEMBER 31, 2017**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Material Weakness – Posting Receipts and Disbursements (First issued in 2007)	Not Corrected	Repeated as Finding Number 2017-001.
2015-002	Material Weakness/Noncompliance – ORC 5705.41(D) (First issued in 2007)	Partially Corrected	See comment in the Management Letter.
2015-003	Material Weakness – Reconciliation of Income Tax Receipts to Deposits (First issued in 2013)	Not Corrected	Repeated as Finding Number 2017-003.

**This page intentionally left blank.**



# 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 8, 2018