

VILLAGE OF FREDERICKTOWN
AUDIT REPORT
JANUARY 1, 2014 - DECEMBER 31, 2015

Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701



Dave Yost • Auditor of State

Village Council
Village of Fredericktown
2 East Sandusky Street
Fredericktown, Ohio 43019

We have reviewed the *Independent Auditors' Report* of the Village of Fredericktown, Knox County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2015. 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 Fredericktown is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 14, 2016

This page intentionally left blank.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY
JANUARY 1, 2014 - DECEMBER 31, 2015**

TABLE OF CONTENTS

Table of Contents	(i)
Independent Auditors' Report	1-2
Financial Statements	
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2015	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types For the Year Ended December 31, 2014	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2015 and 2014	5
Notes to the Financial Statements	6-15
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.	16
Status of Prior Audit Findings	18

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Village of Fredericktown
Knox County
2 East Sandusky Street
Fredericktown, Ohio 43019

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 Fredericktown, Knox County, as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility For the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial provisions of 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 opinions.

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

As described in Note 1 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, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, are presumed to be 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 permitted 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 of Fredericktown as of December 31, 2015 and 2014, 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 Fredericktown, Knox County as of December 31, 2015 and 2014, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2016, on our consideration of the Village of Fredericktown'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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
April 28, 2016

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Taxes	\$ 128,172	\$ -	\$ 128,172
Municipal Income Tax	495,875	-	495,875
Intergovernmental	59,136	150,074	209,210
Charges for Services	9,762	-	9,762
Fines, Licenses, Permits	24,646	-	24,646
Earnings on Investments	791	70	861
Miscellaneous	33,532	3,587	37,119
Total Cash Receipts	<u>751,914</u>	<u>153,731</u>	<u>905,645</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	412,030	976	413,006
Public Health Services	1,368	-	1,368
Leisure Time Activities	67	-	67
Community Environment	3,938	-	3,938
Basic Utility Services	1,715		
Transportation	127,973	218,677	346,650
General Government	177,108	-	177,108
Capital Outlay	15,200	4,353	19,553
Debt Service:			
Principal Retirement	5,518	-	5,518
Interest and Fiscal Charges	3,425	-	3,425
Total Cash Disbursements	<u>748,342</u>	<u>224,006</u>	<u>972,348</u>
Net Change in Fund Cash Balance	3,572	(70,275)	(66,703)
Fund Cash Balances, January 1	<u>155,991</u>	<u>210,457</u>	<u>366,448</u>
Fund Cash Balances, December 31			
Restricted	-	140,182	140,182
Unassigned (Deficit)	159,563	-	159,563
Fund Cash Balances, December 31	<u>\$ 159,563</u>	<u>\$ 140,182</u>	<u>\$ 299,745</u>

See notes to financial statements.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

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

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Taxes	\$ 131,918	\$ -	\$ 131,918
Municipal Income Tax	464,839	-	464,839
Intergovernmental	43,050	140,433	183,483
Charges for Services	6,384	-	6,384
Fines, Licenses, Permits	21,647	-	21,647
Earnings on Investments	214	19	233
Miscellaneous	36,425	31,635	68,060
Total Cash Receipts	704,477	172,087	876,564
Cash Disbursements:			
Current:			
Security of Persons and Property	403,413	549	403,962
Public Health Services	1,310	-	1,310
Leisure Time Activities	6,363	-	6,363
Community Environment	4,009	-	4,009
Basic Utility Services	3,901		
Transportation	130,638	225,902	356,540
General Government	186,250	-	186,250
Debt Service:			
Principal Retirement	5,371	-	5,371
Interest and Fiscal Charges	3,573	-	3,573
Total Cash Disbursements	744,828	226,451	971,279
Excess of Receipts Over/(Under) Disbursements	(40,351)	(54,364)	(94,715)
Other Cash Financing Sources (Uses)			
Other Financing Uses	(9,533)	-	(9,533)
Total Other Cash Financing Sources (Uses)	(9,533)	-	(9,533)
Net Change in Fund Cash Balance	(49,884)	(54,364)	(104,248)
Fund Cash Balances, January 1	205,875	264,821	470,696
Fund Cash Balances, December 31			
Restricted	-	210,457	210,457
Unassigned (Deficit)	155,991	-	155,991
Fund Cash Balances, December 31	\$ 155,991	\$ 210,457	\$ 366,448

See notes to financial statements.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	Enterprise Fund	
	2015	2014
Operating Cash Receipts:		
Charges for Services	\$ 1,411,942	\$ 1,415,184
Miscellaneous	57,049	5,966
Total Operating Cash Receipts:	1,468,991	1,421,150
Operating Cash Disbursements:		
Personal Services	297,005	258,462
Fringe Benefits	97,529	81,037
Contractual Services	157,772	151,878
Supplies and Materials	144,943	145,190
Total Operating Cash Disbursements	697,249	636,567
Operating Income	771,742	784,583
Non-Operating Receipts/(Disbursements)		
Capital Outlay	(301,861)	(88,585)
Principal Retirement	(563,898)	(581,266)
Interest and Other Fiscal Charges	(36,154)	(35,863)
Intergovernmental	185,206	34,840
Total Non-Operating Receipts/(Disbursements)	(716,707)	(670,874)
Net Change in Cash Fund Balance	55,035	113,709
Fund Cash Balances, January 1	977,801	864,092
Fund Cash Balances, December 31	\$ 1,032,836	\$ 977,801

See notes to financial statements.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

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 Fredericktown, Knox County, Ohio (the Village) as a body corporate and politic. A publicly-elected six-member council directs the Village. The Village provides water and sewer utilities, park operations and police services. The Village contracts with the Fredericktown Community Fire District to receive fire protection services.

The Village participates in three jointly governed organizations, two related organizations and the Ohio Government Risk Management Plan public entity risk pool. Notes 8, 9 and 10 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organization:

*Fredericktown Community Joint Emergency Ambulance District
Fredericktown Community Fire District
Fredericktown Joint Recreation District*

Related Organizations:

*Fredericktown Community Development Foundation
Knox County Regional Planning Commission*

Public Entity Risk Pool:

Ohio Government Risk Management Plan

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

B. 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 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary 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 117-2-03(D) permit.

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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

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:

Governmental Funds

General Fund

The General fund is the operating fund. It is used to accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than form trusts or for capital projects) that are restricted to expenditures for specific purposes. The Village had the following significant Special Revenue Funds.

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

Permissive Motor Vehicle License Tax Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village roads.

Parks and Recreation Fund – This fund receives contributions for the construction of a bike path.

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 will be recovered 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 accounts for the loans, grants and expenditures pertaining to the Village water project.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that the Village budget 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. Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2015 and 2014 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:

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* via formal action (resolution). The Village must adhere to these commitments unless 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.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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 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 ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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 (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

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2015	2014
Demand Deposits	\$ 1,275,089	\$ 1,286,817
STAR Ohio	57,492	57,432
Total Deposits	\$ 1,332,581	\$ 1,344,249

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2015 and 2014 is as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 712,743	\$ 751,914	\$ 39,171
Special Revenue	140,371	153,731	13,360
Enterprise	1,545,405	1,654,197	108,792
Total	<u>\$ 2,398,519</u>	<u>\$ 2,559,842</u>	<u>\$ 161,323</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 867,510	\$ 748,342	\$ 119,168
Special Revenue	302,225	224,006	78,219
Enterprise	2,472,206	1,599,162	873,044
Total	<u>\$ 3,641,941</u>	<u>\$ 2,571,510</u>	<u>\$ 1,070,431</u>

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 667,139	704,477	\$ 37,338
Special Revenue	155,200	172,087	16,887
Enterprise	1,409,840	1,455,990	46,150
Total	<u>\$ 2,232,179</u>	<u>\$ 2,332,554</u>	<u>\$ 100,375</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 869,953	\$ 754,361	\$ 115,592
Special Revenue	395,448	226,451	168,997
Capital Projects	309	-	309
Enterprise	2,220,178	1,342,281	877,897
Total	<u>\$ 3,485,888</u>	<u>\$ 2,323,093</u>	<u>\$ 1,162,795</u>

Contrary to ORC 5705.41(D), the Village had purchases made prior to commitment of funds.

4. PROPERTY TAX

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

5. 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 employees 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.

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	2015	
	<u>Principal</u>	<u>%</u>
Ohio Water Development Authority Loan #4651	\$ 5,618,463	0.0
Ohio Water Development Authority Loan #3969	800,500	0.0
Ohio Public Works Commission Loan CT51J	392,850	0.0
Ohio Public Works Commission Loan CQ10G	183,089	0.0
Ohio Public Works Commission Loan CT63E	14,367	0.0
Ohio Public Works Commission Loan CQ915	26,250	0.0
Ohio Public Works Commission Loan CQ13M	17,443	0.0
USDA Bonds	649,000	4.75
Bond Anticipation Notes (2011)	93,600	3.5%-4.5%
Bond Anticipation Notes (2012)	137,821	3.25%-4.75%
Total	<u>\$ 7,933,383</u>	

The United States Department of Agriculture (USDA) Revenue Bonds and the Ohio Public Works Commission (OPWC) loan #CQ915 were issued in 1998 for the water treatment plant expansion. Paid from Enterprise funds

Revenue bonds are collateralized by fees assessed to the Village utility customers.

The Ohio Water Development Authority (OWDA) loan #3969 and OPWC loan #CT63E were awarded for the planning and construction of the Bio Solid Processing Replacement Project. The Village was awarded additional OPWC loan #CQ10G for up to \$400,000 for the construction of the Bio Solid Processing Replacement. Paid by Enterprise funds.

In fiscal year 2006, the Village was awarded OWDA loan #4651 in the amount of \$8,373,966 and OPWC loan #CT51J in the amount of \$582,000 for Phase 2 of the Village's waste water treatment plant upgrade and expansion. Paid by Enterprise funds.

In fiscal year 2009, the Village was awarded OPWC loan CQ13M in the amount of \$100,200 for the Levering Drive Intersection Improvements. Paid from General Fund

In fiscal year 2011, the Village issued \$110,000 in Bond Anticipation Notes that were used to purchase property. The Bond Anticipation Notes have a maturity of December 1, 2031. The interest rate is 3.5% for the first ten years and 4.5% for the last ten years. Paid from General Fund.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

6. DEBT (Continued)

In fiscal year 2012, the Village issued \$150,000 in Bond Anticipation Notes that were used to construct a new water tower. The Bond Anticipation Notes have a maturity of September 1, 2033. The interest rate is 3.25% for the first ten years and 4.75% for the last ten years. Paid from Enterprise funds.

The Village's taxing authority and water and sewer utilities collateralized the bonds and loans.

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

Year Ending December 31	OWDA #4651	OWDA #3969	USDA Bonds	2011 BA Notes	2012 BA Notes
2016	\$ 416,182	\$ 80,050	\$ 46,828	\$ 7,741	\$ 10,202
2017	416,182	80,050	47,068	7,741	10,202
2018	416,182	80,050	47,260	7,741	10,202
2019	416,182	80,050	47,405	7,741	10,202
2020	416,182	80,050	46,503	7,741	10,202
2021-2025	2,080,910	400,250	234,026	40,285	52,424
2026-2030	1,456,643	-	235,766	40,680	54,545
2031-2035	-	-	234,812	8,136	32,727
2036-2040	-	-	141,446	-	-
2041-2045	-	-	-	-	-
	<u>\$5,618,463</u>	<u>\$ 800,500</u>	<u>\$ 1,081,114</u>	<u>\$ 127,806</u>	<u>\$ 190,706</u>

Year Ending December 31	OPWC #CT51J	OPWC #CQ10G	OPWC CT63E	OPWC #CQ915	OPWC CQ13M
2016	\$ 29,100	\$ 19,273	\$ 2,052	\$ 10,500	\$ 1,203
2017	29,100	19,273	2,052	10,500	1,203
2018	29,100	19,273	2,052	5,250	1,203
2019	29,100	19,273	2,052	-	1,203
2020	29,100	19,273	2,052	-	1,203
2021-2025	145,500	86,724	4,107	-	6,015
2026-2030	101,850	-	-	-	5,403
2031-2035	-	-	-	-	-
2036-2040	-	-	-	-	-
2041-2045	-	-	-	-	-
	<u>\$ 392,850</u>	<u>\$ 183,089</u>	<u>\$ 14,367</u>	<u>\$ 26,250</u>	<u>\$ 17,433</u>

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

7. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OP&F participants contributed 10.75% from January 1, 2014 to June 30, 2014, they contributed 11.50% from July 1, 2014 through June 30, 2015 and contributed 12.25% from July 1, 2015 through December 31, 2015. For 2015 and 2014, the Village contributed to OP&F and amount equal to 19.50% of full-time law enforcement wages. For 2015 and 2014, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.00% of participant's gross salaries. The Village has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

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

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 of 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 774 and 783 members as of December 31, 2013 and 2014, 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.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

8. RISK MANAGEMENT (Continued)

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

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 the latest information available.

	2013	2014
Assets	\$ 13,774,304	\$ 14,830,185
Liabilities	(7,968,395)	(8,942,504)
Retained Earnings	\$ 5,805,909	\$ 5,887,681

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

9. JOINTLY GOVERNED ORGANIZATIONS

Fredericktown Community Joint Emergency Ambulance District

The Village of Fredericktown appoints one of the six board members. The Ambulance District board oversees the activity and there is no financial interdependency between the Village and the Ambulance District.

Fredericktown Community Fire District

The Village of Fredericktown appoints one of the six board members. The Fire District board oversees the activity and there is no financial interdependency between the Village and the Fire District.

Fredericktown Joint Recreation District

The Village of Fredericktown appoints two of the seven board members. The Recreation District oversees the activity and there is no financial interdependency between the Village and the Recreation District.

10. RELATED ORGANIZATIONS

Fredericktown Community Development Foundation (the Foundation)

The Foundation has a separate 20-25 member board which consists of township and business leaders in the community. The Foundation acts as a Chamber of Commerce where the Foundation tries to bring new business into the community. The Board is not appointed by Council, however the Mayor does appoint one member from the community to be a member of the board and the Village pays a membership fee of \$25 per year. The Foundation is a separate entity from the Village with no financial interdependency. The Village has no ability to significantly influence the Foundation's operations and has no responsibility over the fiscal matters of the Foundation.

Knox County Regional Planning Commission

The Council appoints one member of the commission. There is no financial interdependency between the Village and the Commission.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

11. CUSTODIANS OF OTHER VILLAGE ASSETS

The following funds are maintained by custodians, as legally required. These assets, and the related receipts and disbursements, are not reflected in the accompanying financial statements.

Deferred Compensation Assets

Certain employees may elect to participate in the Aetna Deferred Compensation Program (the Program). Amounts withheld from these employees are tax deferred, and are invested by the Program, as directed by the employees.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Village of Fredericktown
Knox County
2 East Sandusky Street
Fredericktown, Ohio 43019

To the Village Council:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Fredericktown, Knox County as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated April 28, 2016, 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 Village of Fredericktown's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Fredericktown'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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
April 28, 2016

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	ORC 5705.42 On-Behalf Grants not recorded	Yes	Finding No Longer Valid
2013-002	Material Weakness Financial Statement presentation mis-postings	Yes	Finding No Longer Valid
2013-003	ORC 5705.10 (D) Financial Statement presentation	Yes	Finding No Longer Valid
2013-004	Village Ordinance 2002-29 Debt Covenants	Yes	Finding No Longer Valid

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF FREDERICKTOWN

KNOX 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 10, 2016