



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Frazeytsburg
Muskingum County
7 West Second Street
Frazeytsburg, Ohio 43822

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 Frazeytsburg, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017.

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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, 2018 and 2017, 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 Frazeytsburg, Muskingum County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 24, 2019, 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.



Keith Faber
Auditor of State
Columbus, Ohio

September 24, 2019

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

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

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$32,200 | \$110,541 | \$0 | \$142,741 |
| Municipal Income Tax | 191,691 | 0 | 0 | 191,691 |
| Intergovernmental | 16,194 | 124,114 | 0 | 140,308 |
| Special Assessments | 0 | 680 | 0 | 680 |
| Charges for Services | 2,957 | 27,273 | 0 | 30,230 |
| Fines, Licenses and Permits | 33,900 | 1,995 | 0 | 35,895 |
| Earnings on Investments | 506 | 346 | 0 | 852 |
| Miscellaneous | 1,856 | 9,227 | 0 | 11,083 |
| <i>Total Cash Receipts</i> | <u>279,304</u> | <u>274,176</u> | <u>0</u> | <u>553,480</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 155,395 | 138,790 | 0 | 294,185 |
| Leisure Time Activities | 4,934 | 37,831 | 0 | 42,765 |
| Transportation | 0 | 122,997 | 0 | 122,997 |
| General Government | 119,041 | 5,329 | 0 | 124,370 |
| Capital Outlay | 0 | 6,900 | 0 | 6,900 |
| <i>Total Cash Disbursements</i> | <u>279,370</u> | <u>311,847</u> | <u>0</u> | <u>591,217</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(66)</u> | <u>(37,671)</u> | <u>0</u> | <u>(37,737)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Sale of Capital Assets | 0 | 279 | 0 | 279 |
| Transfers In | 0 | 8,602 | 0 | 8,602 |
| Transfers Out | (8,602) | 0 | 0 | (8,602) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(8,602)</u> | <u>8,881</u> | <u>0</u> | <u>279</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(8,668)</u> | <u>(28,790)</u> | <u>0</u> | <u>(37,458)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>90,140</u> | <u>186,721</u> | <u>1,066</u> | <u>277,927</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | 0 | 152,789 | 0 | 152,789 |
| Assigned | 77,817 | 5,142 | 1,066 | 84,025 |
| Unassigned (Deficit) | 3,655 | 0 | 0 | 3,655 |
| <i>Fund Cash Balances, December 31</i> | <u>\$81,472</u> | <u>\$157,931</u> | <u>\$1,066</u> | <u>\$240,469</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

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

| | Proprietary Fund Types | Fiduciary Fund Types | Totals |
|---|---------------------------|-------------------------|-------------------------|
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$622,596 | \$0 | \$622,596 |
| Miscellaneous | 1,430 | 0 | 1,430 |
| <i>Total Operating Cash Receipts</i> | <u>624,026</u> | <u>0</u> | <u>624,026</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 128,688 | 0 | 128,688 |
| Fringe Benefits | 84,850 | 0 | 84,850 |
| Contractual Services | 142,964 | 0 | 142,964 |
| Supplies and Materials | 68,855 | 0 | 68,855 |
| Other | 1,082 | 0 | 1,082 |
| <i>Total Operating Cash Disbursements</i> | <u>426,439</u> | <u>0</u> | <u>426,439</u> |
| <i>Operating Income (Loss)</i> | <u>197,587</u> | <u>0</u> | <u>197,587</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Intergovernmental | 3,500 | 0 | 3,500 |
| Earnings on Investments (proprietary funds only) | 101 | 0 | 101 |
| Other Debt Proceeds | 252,324 | 0 | 252,324 |
| Sale of Fixed Assets | 280 | 0 | 280 |
| Miscellaneous Receipts | 28 | 36,341 | 36,369 |
| Capital Outlay | (287,177) | 0 | (287,177) |
| Principal Retirement | (68,310) | 0 | (68,310) |
| Interest and Other Fiscal Charges | (55,783) | 0 | (55,783) |
| Other Financing Uses | 0 | (33,754) | (33,754) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(155,037)</u> | <u>2,587</u> | <u>(152,450)</u> |
| <i>Income (Loss) before Transfers</i> | 42,550 | 2,587 | 45,137 |
| Transfers In | 70,000 | 0 | 70,000 |
| Transfers Out | (70,000) | 0 | (70,000) |
| <i>Net Change in Fund Cash Balances</i> | 42,550 | 2,587 | 45,137 |
| <i>Fund Cash Balances, January 1</i> | <u>521,345</u> | <u>2,255</u> | <u>523,600</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$563,895</u></u> | <u><u>\$4,842</u></u> | <u><u>\$568,737</u></u> |

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

**Village of Frazeytsburg
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018**

Note 1 – Village of Frazeytsburg

The Village of Frazeytsburg (the Village), Muskingum 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 water and sewer utilities, park operations, and police services. The Village contracts with Frazeytsburg Fire Department to receive fire protection services. The Village appropriates local property tax money for the volunteer fire department.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool and is associated with the Ohio Plan Risk Management, Inc. (OPRM) a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). Notes 8 and 14 to the financial statements provides additional information for these entities. The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – 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.

Street Lighting Fund – The street lighting fund accounts for and reports special assessments that are based on property tax valuation to pay for Village street lighting.

Swimming Pool Fund – The swimming pool fund accounts for and reports money received from season pool passes, pool admittances, sale of concessions and general fund transfers used to operate the public swimming pool.

Mayor’s Court Computer Fund – The Mayor’s court computer fund accounts for and reports money from citations issued by the police department having the purpose of maintaining computer systems for the office of the clerk of the municipal court.

**Village of Frazeytsburg
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018**

Fire Levy Fund – The fire levy fund accounts for and reports property tax levies passed by voters to support a fire department and to provide fire protection services.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Police Car & Equipment Fund – The police car & equipment fund was established to account for monies set aside to assist in purchasing vehicles and equipment.

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. The Village also has a limited amount of customers using Village water outside of the Village limits.

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

Storm Water Fund The storm water fund accounts for the provision of storm water services to the residents and businesses located within the Village.

Sewer Surcharge Debt Fund – The sewer surcharge debt fund was established with sewer surcharges that are no longer collected, however funds remain for the repayment of loans incurred in planning and construction of the Village Sewer System.

USDA Water Debt Fund – The USDA water debt accounts for and reports water fund transfers required for the USDA loan agreement for the repayment of loans incurred in planning and construction of the Village Water System.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

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

**Village of Fazeysburg
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018**

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

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

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

A summary of 2018 budgetary activity appears in Note 4.

Deposits and Investments

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

The Village has no investments.

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.

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.

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.

**Village of Fazeysburg
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018**

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

There were no material budgetary violations.

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$254,844 | \$279,305 | \$24,461 |
| Special Revenue | 300,222 | 283,057 | (17,165) |
| Capital Projects | 500 | 0 | (500) |
| Enterprise | 921,100 | 950,259 | 29,159 |
| Fiduciary | 50,000 | 36,341 | (13,659) |
| Total | \$1,526,666 | \$1,548,962 | \$22,296 |

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$337,424 | \$289,107 | \$48,317 |
| Special Revenue | 392,335 | 318,818 | 73,517 |
| Capital Projects | 1,200 | 0 | 1,200 |
| Enterprise | 1,228,356 | 939,121 | 289,235 |
| Fiduciary | 52,255 | 33,754 | 18,501 |
| Total | \$2,011,570 | \$1,580,800 | \$430,770 |

Note 5 – Deposits and Investments

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

| | |
|-------------------------|-------------------|
| Demand deposits | 2018 \$801,121 |
| Certificates of deposit | 8,085 |
| Total deposits | \$809,206 |

**Village of Frazeyburg
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018**

Deposits

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

Note 6 – Taxes

Property Taxes

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

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Central Collection Agency administers the income tax for the Village.

Note 7 – Interfund Balances

Advances

There were no outstanding advances at December 31, 2018.

Note 8 - 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.

**Village of Fazeysburg
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018**

Pursuant to § 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

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

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Part-time police officers are excluded from OP&F and are included in OPERS.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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.

**Village of Frazeyburg
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018**

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 24% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Social Security

The Village's Council members and Board of Trustees of Public Affairs members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Council members and Board of Trustees of Public Affairs members contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 11 – Debt

Debt outstanding at December 31, 2018 was as follows:

| | Principal | Interest Rate |
|--------------------------------------|------------------|----------------------|
| 4163 OWDA – 2004 Lift Station Loan | \$ 5,848 | 4.00% |
| 6038 OWDA – Storm Water Improvements | 146,562 | 1.50% |
| 2005 USDA Rural Development Loan A | 634,700 | 4.13% |
| 2005 USDA Rural Development Loan B | 353,800 | 4.13% |
| 2005 USDA Rural Development Loan C | 127,000 | 4.13% |
| 2010 OPWC – Sewer Plant Improvements | 89,824 | 0.00% |
| 2016 Community Bank – Excavator | 63,573 | 2.93% |
| 7930 OWDA – Hunter lift station | 246,766 | 2.58% |
| Total | \$ 1,668,073 | |

The OWDA loan #4163 relates to construction of a lift station. The original loan was for the \$125,000 and the schedule above includes interest capitalized on this loan. The loan will be paid in semi-annual installments of \$5,996, including interest, over 15 years. The loan is collateralized by revenue generated by the sewer facilities.

The United States Department of Agriculture Rural Development (USDA) Loans A, B and C were used to pay off OWDA loan #3951 that relates to water system improvements. The original loan was for \$751,000, \$418,000 and \$150,000 respectively and the schedule above includes interest capitalized on these loans. The loans will be paid off in annual payments over the next 30 years. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

**Village of Frazeytsburg
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018**

The 2010 OPWC loan relates to a sewer plant improvement project. The original loan was for \$138,190. The loan will be repaid in semi-annual installments of \$3,455, including interest, over 20 years. The loan is collateralized by revenues generated from Village utilities.

The 2012 OWDA loan #6038 relates to a storm water improvement project. The original loan was for \$214,450. This loan will be repaid back over 20 years with semi-annual installments of \$6,225. The loan is collateralized by revenues generated from Village utilities.

The Community Bank loan, for an excavator, was for \$87,732. The excavator will be used for water, sewer and storm water lines. The loan payments will be split equally between the three funds over 7 years beginning in 2017.

The OWDA loan #7930 relates to construction of the hunter lift station. The original loan was for the \$252,293 and the schedule above includes interest capitalized on this loan. The loan will be paid in semi-annual installments of \$8,114, including interest, over 20 years. The loan is collateralized by revenue generated by the sewer facilities.

Amortization

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

| Year Ending December 31: | OWDA #6038 | OWDA #4163 | OPWC CTA1M | USDA A,B,C | Community Bank | OWDA 7930 |
|-----------------------------|------------------|----------------|-----------------|--------------------|-------------------|------------------|
| 2019 | \$12,451 | \$5,996 | \$6,910 | \$69,500 | \$14,209 | \$15,112 |
| 2020 | 12,451 | | 6,910 | 69,412 | 14,033 | 16,227 |
| 2021 | 12,451 | | 6,910 | 69,412 | 13,846 | 16,227 |
| 2022 | 12,451 | | 6,910 | 69,412 | 13,660 | 16,227 |
| 2023 | 12,451 | | 6,910 | 69,412 | 13,472 | 16,227 |
| 2024-2028 | 62,255 | | 34,548 | 347,060 | | 81,136 |
| 2029-2033 | 37,353 | | 20,729 | 347,060 | | 81,136 |
| 2034-2038 | | | | 347,060 | | 73,023 |
| 2039-2043 | | | | 347,060 | | |
| 2044-2048 | | | | 138,824 | | |
| Total | \$161,863 | \$5,996 | \$89,827 | \$1,874,212 | \$69,220 | \$315,315 |

Note 12 – Construction and Contractual Commitments

The Village received bids to replace the Hunter Lift Station in 2017 and Kendrick completed the project in 2018. The total project cost was \$252,154. The loan detail is shown above.

The Village has been working to a slide at the swimming pool and was quoted \$13,800 from O.P. Aquatics. The Village paid half of the cost for the slide in 2018 and the remaining \$6,900 will be due once the State has reviewed and approved the slide, which is expected to be approved before the spring of 2019.

SCADAtch, LLC has proposed new equipment for the SCADA system that controls the water plant. It is anticipated that the system will be replaced in January of 2019 for a cost of \$17,496.

In addition, the Village of Frazeytsburg has been working with RCAP on an asset management plan for the water system. The total project cost is \$20,000 and the Village has received principal forgiveness for 50% of the project. The project was 35% complete and paid in 2018 with the remaining to be finished in 2019. An additional \$13,000 will be due on the project.

**Village of Frazeyburg
Muskingum County
Notes to the Financial Statements
For the Year Ended December 31, 2018**

Note 13 – Contingent Liabilities

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

Note 14 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 15 – Related Party Transaction

A Village Council member is a volunteer for the Frazeyburg Volunteer Fire Department which the Village contracts with for fire protection services. The Village paid \$118,739 during 2018 for these services.

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**VILLAGE OF FRAZEYSBURG
MUSKINGUM 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) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$34,993 | \$62,417 | \$0 | \$97,410 |
| Municipal Income Tax | 205,758 | 0 | 0 | 205,758 |
| Intergovernmental | 16,109 | 120,898 | 0 | 137,007 |
| Special Assessments | 0 | 1,463 | 0 | 1,463 |
| Charges for Services | 2,994 | 21,850 | 0 | 24,844 |
| Fines, Licenses and Permits | 38,639 | 2,781 | 0 | 41,420 |
| Earnings on Investments | 481 | 321 | 0 | 802 |
| Miscellaneous | 3,627 | 3,542 | 358 | 7,527 |
| <i>Total Cash Receipts</i> | <u>302,601</u> | <u>213,272</u> | <u>358</u> | <u>516,231</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| Security of Persons and Property | 165,103 | 88,667 | 0 | 253,770 |
| Leisure Time Activities | 4,021 | 51,596 | 0 | 55,617 |
| Transportation | 0 | 118,013 | 0 | 118,013 |
| General Government | 102,808 | 3,524 | 0 | 106,332 |
| Capital Outlay | 37,734 | 3,957 | 0 | 41,691 |
| <i>Total Cash Disbursements</i> | <u>309,666</u> | <u>265,757</u> | <u>0</u> | <u>575,423</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(7,065)</u> | <u>(52,485)</u> | <u>358</u> | <u>(59,192)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Sale of Capital Assets | 1,100 | 0 | 0 | 1,100 |
| Transfers In | 0 | 26,000 | 0 | 26,000 |
| Transfers Out | (26,000) | 0 | 0 | (26,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(24,900)</u> | <u>26,000</u> | <u>0</u> | <u>1,100</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(31,965)</u> | <u>(26,485)</u> | <u>358</u> | <u>(58,092)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>122,105</u> | <u>213,206</u> | <u>708</u> | <u>336,019</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | 0 | 179,078 | 0 | 179,078 |
| Assigned | 80,650 | 7,643 | 1,066 | 89,359 |
| Unassigned (Deficit) | 9,490 | 0 | 0 | 9,490 |
| <i>Fund Cash Balances, December 31</i> | <u>\$90,140</u> | <u>\$186,721</u> | <u>\$1,066</u> | <u>\$277,927</u> |

See accompanying notes to the basic financial statements.

**VILLAGE OF FRAZEYSBURG
MUSKINGUM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals |
|---|---------------------------|-------------------------|-------------------------|
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$619,476 | \$0 | \$619,476 |
| <i>Total Operating Cash Receipts</i> | <u>619,476</u> | <u>0</u> | <u>619,476</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 117,513 | 0 | 117,513 |
| Fringe Benefits | 72,917 | 0 | 72,917 |
| Contractual Services | 130,520 | 0 | 130,520 |
| Supplies and Materials | 57,091 | 0 | 57,091 |
| Other | 1,456 | 0 | 1,456 |
| <i>Total Operating Cash Disbursements</i> | <u>379,497</u> | <u>0</u> | <u>379,497</u> |
| <i>Operating Income (Loss)</i> | <u>239,979</u> | <u>0</u> | <u>239,979</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Earnings on Investments (proprietary funds only) | 146 | 0 | 146 |
| Miscellaneous Receipts | 803 | 39,671 | 40,474 |
| Capital Outlay | (56,087) | 0 | (56,087) |
| Principal Retirement | (70,236) | 0 | (70,236) |
| Interest and Other Fiscal Charges | (54,076) | 0 | (54,076) |
| Other Financing Uses | 0 | (41,291) | (41,291) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(179,450)</u> | <u>(1,620)</u> | <u>(181,070)</u> |
| <i>Income (Loss) before Transfers</i> | 60,529 | (1,620) | 58,909 |
| Transfers In | 70,000 | 0 | 70,000 |
| Transfers Out | (70,000) | 0 | (70,000) |
| <i>Net Change in Fund Cash Balances</i> | 60,529 | (1,620) | 58,909 |
| <i>Fund Cash Balances, January 1</i> | <u>460,816</u> | <u>3,875</u> | <u>464,691</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$521,345</u></u> | <u><u>\$2,255</u></u> | <u><u>\$523,600</u></u> |

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

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

Note 1 – Village of Frazeytsburg

The Village of Frazeytsburg (the Village), Muskingum 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 water and sewer utilities, park operations, and police services. The Village contracts with Frazeytsburg Fire Department to receive fire protection services. The Village appropriates local property tax money for the volunteer fire department.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in a public entity risk pool and is associated with the Ohio Plan Risk Management, Inc. (OPRM) a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). Note 8 and 14 to the financial statements provides additional information for these entities. The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund – 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.

Street Lighting Fund – The street lighting fund accounts for and reports special assessments that are based on property tax valuation to pay for Village street lighting.

Swimming Pool Fund – The swimming pool fund accounts for and reports money received from season pool passes, pool admittances, sale of concessions and general fund transfers used to operate the public swimming pool.

Mayor’s Court Computer Fund – The Mayor’s court computer fund accounts for and reports money from citations issued by the police department having the purpose of maintaining computer systems for the office of the clerk of the municipal court.

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

Fire Levy Fund – The fire levy fund accounts for and reports property tax levies passed by voters to support a fire department and to provide fire protection services.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Police Car & Equipment Fund – The police car & equipment fund was established to account for monies set aside to assist in purchasing vehicles and equipment.

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. The Village also has a limited amount of customers using Village water outside of the Village limits.

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

Storm Water Fund The storm water fund accounts for the provision of storm water services to the residents and businesses located within the Village.

Sewer Surcharge Debt Fund – The sewer surcharge debt fund was established with sewer surcharges that are no longer collected, however funds remain for the repayment of loans incurred in planning and construction of the Village Sewer System.

USDA Water Debt Fund – The USDA water debt accounts for and reports water fund transfers required for the USDA loan agreement for the repayment of loans incurred in planning and construction of the Village Water System.

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

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

A summary of 2017 budgetary activity appears in Note 4.

Deposits and Investments

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

The Village has no investments.

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.

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.

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.

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

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 - Compliance

There were no material budgetary violations.

Note 4 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$270,939 | \$303,701 | \$32,762 |
| Special Revenue | 281,061 | 239,272 | (41,789) |
| Capital Projects | 600 | 358 | (242) |
| Enterprise | 683,170 | 690,425 | 7,255 |
| Fiduciary | 50,000 | 39,671 | (10,329) |
| Total | \$1,285,770 | \$1,273,427 | (\$12,343) |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$350,285 | \$341,063 | \$9,222 |
| Special Revenue | 362,168 | 266,162 | 96,006 |
| Capital Projects | 600 | 0 | 600 |
| Enterprise | 902,719 | 621,109 | 281,610 |
| Fiduciary | 50,000 | 41,291 | 8,709 |
| Total | \$1,665,772 | \$1,269,625 | \$396,147 |

Note 5 – Deposits and Investments

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

| | |
|-------------------------|-------------------|
| Demand deposits | 2017 \$786,563 |
| Certificates of deposit | 14,964 |
| Total deposits | \$801,527 |

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

Deposits

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

Note 6 – Taxes

Property Taxes

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

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually. The Central Collection Agency administers the income tax for the Village.

Note 7 – Interfund Balances

Advances

There were no outstanding advances at December 31, 2017.

Note 8 - 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.

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

Pursuant to § 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

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

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Part-time police officers are excluded from OP&F and are included in OPERS.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 24% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

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

Social Security

The Village's Council members and Board of Trustees of Public Affairs members contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Council members and Board of Trustees of Public Affairs members contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 10 - Postemployment Benefits

Both OPERS and OP&F offer 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. OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2017 was as follows:

| | Principal | Interest Rate |
|--------------------------------------|------------------|----------------------|
| 4163 OWDA – 2004 Lift Station Loan | 17,115 | 4.00% |
| 6038 OWDA – Storm Water Improvements | 156,701 | 1.50% |
| 2005 USDA Rural Development Loan A | 647,400 | 4.13% |
| 2005 USDA Rural Development Loan B | 360,900 | 4.13% |
| 2005 USDA Rural Development Loan C | 129,500 | 4.13% |
| 2010 OPWC – Sewer Plant Improvements | 96,733 | 0.00% |
| 2016 Community Bank – Excavator | 75,741 | 2.93% |
| Total | \$ 1,484,090 | |

The 2001 Ohio Public Works Commission (OPWC) loan related to a storm sewer project for the Village. The original loan was for \$35,702. The loan was paid off early with the final payment issued in 2017.

The OWDA loan #4163 relates to construction of a lift station. The original loan was for the \$125,000 and the schedule above includes interest capitalized on this loan. The loan will be paid in semi-annual installments of \$5,996, including interest, over 15 years. The loan is collateralized by revenue generated by the sewer facilities.

The United States Department of Agriculture Rural Development (USDA) Loans A, B and C were used to pay off OWDA loan #3951 that relates to water system improvements. The original loan was for \$751,000, \$418,000 and \$150,000 respectively and the schedule above includes interest capitalized on these loans. The loans will be paid off in annual payments over the next 30 years. The Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

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

The 2012 OWDA loan #6038 relates to a storm water improvement project. The original loan was for \$214,450. This loan will be repaid back over 20 years with semi-annual installments of \$6,225.

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

The OWDA loan and OPWC loan are collateralized by revenues generated from Village utilities.

The Community Bank loan, for an excavator, was for \$87,732. The excavator will be used for water, sewer and storm water lines. The loan payments will be split equally between the three funds over 7 years beginning in 2017.

Amortization

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

| Year Ending December 31: | OWDA #6038 | OWDA #4163 | OPWC CTA1M | USDA A,B,C | Community Bank |
|-----------------------------|------------------|-----------------|-----------------|--------------------|-------------------|
| 2018 | \$12,451 | \$11,840 | \$6,910 | \$69,990 | \$14,837 |
| 2019 | 12,451 | 5,996 | 6,910 | 69,500 | 14,209 |
| 2020 | 12,451 | | 6,910 | 69,412 | 14,033 |
| 2021 | 12,451 | | 6,910 | 69,412 | 13,846 |
| 2022 | 12,451 | | 6,910 | 69,412 | 13,660 |
| 2023-2027 | 62,255 | | 34,548 | 347,060 | 13,472 |
| 2028-2032 | 49,804 | | 27,638 | 347,060 | |
| 2033-2037 | | | | 347,060 | |
| 2038-2042 | | | | 347,060 | |
| 2043-2047 | | | | 208,236 | |
| Total | \$174,314 | \$17,836 | \$96,736 | \$1,944,202 | \$84,057 |

Note 12 – Construction and Contractual Commitments

The Village received bids to replace the Hunter Lift Station in 2017 and expects to award the contract to Kendrick, the only contractor that submitted a bid. The anticipated total project cost was \$264,656. The total project cost was \$252,154.

Note 13 – Contingent Liabilities

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

Note 14 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 15 – Related Party Transaction

A Village Council member is a volunteer for the Frazeytsburg Volunteer Fire Department, which the Village contracts with for fire protection services. The Village paid \$69,015 during 2017 for these services.

OHIO AUDITOR OF STATE KEITH FABER



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

Village of Frazeytsburg
Muskingum County
7 West Second Street
Frazeytsburg, Ohio 43822

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Frazeytsburg, Muskingum County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 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 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 report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, stylized 'K' and 'F'.

Keith Faber
Auditor of State
Columbus, Ohio

September 24, 2019

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF FRAZEYSBURG

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 8, 2019**