

VILLAGE OF FREEPORT

AUDIT REPORT

JANUARY 1, 2015 - DECEMBER 31, 2016

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



Dave Yost • Auditor of State

Village Council
Village of Freeport
PO Box 176
Freeport, OH 43973

We have reviewed the *Independent Auditor's Report* of the Village of Freeport, Harrison County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2015 through December 31, 2016. 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 Freeport is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 20, 2017

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**VILLAGE OF FREEPORT
HARRISON COUNTY
JANUARY 1, 2015 - DECEMBER 31, 2016**

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

INDEPENDENT AUDITORS' REPORT

Village of Freeport
Harrison County
P.O. Box 176
Freeport, Ohio 43973

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 Freeport, Harrison County, as of and for the years ended December 31, 2016 and 2015.

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 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States, 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 Freeport as of December 31, 2016 and 2015, 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 Freeport, Harrison County as of December 31, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 9, 2017, on our consideration of the Village of Freeport'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
August 9, 2017

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property Taxes	\$ 39,457	\$ 11,787	\$ 51,244
Municipal Income Tax	106,168	-	106,168
Intergovernmental	6,228	45,472	51,700
Earnings on Investments	49	147	196
Miscellaneous	16,559	-	16,559
Total Cash Receipts	168,461	57,406	225,867
Cash Disbursements:			
Current:			
Security of Persons and Property	7,786	5,160	12,946
Basic Utility Services	244	-	244
Transportation	-	33,940	33,940
General Government	108,390	-	108,390
Total Cash Disbursements	116,420	39,100	155,520
Net Change in Fund Cash Balance	52,041	18,306	70,347
Fund Cash Balances, January 1	306,077	16,670	322,747
Fund Cash Balances, December 31			
Restricted	-	34,976	34,976
Unassigned (Deficit)	358,118	-	358,118
Fund Cash Balances, December 31	\$ 358,118	\$ 34,976	\$ 393,094

See notes to financial statements.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Enterprise Fund
	2016
Operating Cash Receipts:	
Charges for Services	\$ 41,857
Total Operating Cash Receipts:	41,857
 Operating Cash Disbursements:	
Personal Services	25,886
Fringe Benefits	3,328
Contractual Services	12,731
Supplies and Materials	6,295
Total Operating Cash Disbursements	48,240
 Operating Income	(6,383)
 Fund Cash Balances, January 1	354
 Fund Cash Balances, December 31	\$ (6,029)

See notes to financial statements.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
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**VILLAGE OF FREEPORT
HARRISON COUNTY**

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 Fund Cash Balances, January 1	 354
 Fund Cash Balances, December 31	 \$ (6,029)

See notes to financial statements.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Freeport, Harrison County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government, street maintenance, police, park operations and water utility services. The Village contracts with the Freeport Volunteer Fire Department to provide fire protection services.

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

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

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 balance (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (regulatory cash basis) for all proprietary fund types which are organized on a fund type basis.

Fund Accounting

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

Governmental Funds

General Fund

The General fund is the operating fund. It is used to account 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 that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds.

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

State Highway Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Fund:

Water Fund – This fund receives charges for services from residents to cover water service costs.

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.

Budgetary Process

The Ohio Revised Code requires that each fund (except certain Agency Funds) be budgeted annually.

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

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

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.

Accumulated Leave

In certain circumstances, such as 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* 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.

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 classification could be used.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 43,206	\$ 168,461	\$ 125,255
Special Revenue	46,550	57,406	10,856
Enterprise	-	41,857	41,857
Total	\$ 89,756	\$ 267,724	\$ 177,968

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 116,420	\$ (116,420)
Special Revenue	-	39,100	(39,100)
Enterprise	-	48,240	(48,240)
Total	\$ -	\$ 203,760	\$ (203,760)

Contrary to ORC 5705.41(B), the Village's funds had expenditures greater than appropriations.

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

Contrary to ORC 5705.38 (A), the Village failed to certify appropriations with the County Auditor

4. 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:

	2016
Demand Deposits	\$ 387,065
Total Deposits	\$ 387,065

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. 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 FREEPORT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 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.

7. RISK MANAGEMENT

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 Government 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 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 FREEPORT
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

7. RISK MANAGEMENT (Continued)

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, 2015 and 2014 (the latest information available).

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Retained Earnings	\$ 5,531,637	\$ 5,887,681

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

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2016.

9. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**VILLAGE OF FREEPORT
HARRISON 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	\$ 40,395	\$ 15,577	\$ 55,972
Municipal Income Tax	109,769	-	109,769
Intergovernmental	-	4,571	4,571
Earnings on Investments	43	129	172
Miscellaneous	6,867	-	6,867
Total Cash Receipts	<u>157,074</u>	<u>20,277</u>	<u>177,351</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,941	5,378	10,319
Basic Utility Services	216	-	216
Electricity	7,415	-	7,415
Transportation	-	24,952	24,952
General Government	121,540	-	121,540
Total Cash Disbursements	<u>134,112</u>	<u>30,330</u>	<u>164,442</u>
Excess of Receipts Over (Under) Disbursements	22,962	(10,053)	12,909
Other Financing Receipts (Disbursements)			
Transfers-Out	(24,000)	-	(24,000)
Total Other Financing Receipts (Disbursements)	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
Net Change in Fund Cash Balance	(1,038)	(10,053)	(11,091)
Fund Cash Balances, January 1	<u>307,115</u>	<u>26,723</u>	<u>333,838</u>
Fund Cash Balances, December 31			
Restricted	-	16,670	16,670
Unassigned (Deficit)	306,077	-	306,077
Fund Cash Balances, December 31	<u>\$ 306,077</u>	<u>\$ 16,670</u>	<u>\$ 322,747</u>

See notes to financial statements.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

	Enterprise Fund
	2015
Operating Cash Receipts:	
Charges for Services	\$ 48,192
Total Operating Cash Receipts:	48,192
 Operating Cash Disbursements:	
Personal Services	31,519
Fringe Benefits	3,957
Contractual Services	16,271
Supplies and Materials	13,023
Total Operating Cash Disbursements	64,770
 Operating Income	(16,578)
 Transfers-In	24,000
 Fund Cash Balances, January 1	(7,068)
 Fund Cash Balances, December 31	\$ 354

See notes to financial statements.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

1. REPORTING ENTITY

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**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

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Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

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

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.

Accumulated Leave

In certain circumstances, such as 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* 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.

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 classification could be used.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

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

3. BUDGETARY ACTIVITY

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 39,706	\$ 157,074	\$ 117,368
Special Revenue	44,700	20,277	(24,423)
Enterprise	10,000	72,192	62,192
Total	\$ 94,406	\$ 249,543	\$ 155,137

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ -	\$ 158,112	\$ (158,112)
Special Revenue	-	30,330	(30,330)
Enterprise	-	64,770	(64,770)
Total	\$ -	\$ 253,212	\$ (253,212)

Contrary to ORC 5705.41(B), the Village's funds had expenditures greater than appropriations.

Contrary to ORC 5705.41(D), the Village made expenditures without prior certification.

Contrary to ORC 5705.38 (A), the Village failed to certify appropriations with the County Auditor

4. 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
Demand Deposits	\$ 323,101
Total Deposits	\$ 323,101

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institutions public entity deposit pool.

5. 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 FREEPORT
HARRISON COUNTY**

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

6. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.0 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.

7. RISK MANAGEMENT

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 Government 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. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 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 FREEPORT
HARRISON COUNTY**

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

7. RISK MANAGEMENT (Continued)

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, 2015 and 2014 (the latest information available).

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Retained Earnings	\$ 5,531,637	\$ 5,887,681

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

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 10.0% of their gross wages and the Village contributed an amount equal to 14.0% of participant's gross salaries. The Village has paid all contributions required through December 31, 2015.

9. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**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 Freeport
Harrison County
P.O. Box 176
Freeport, Ohio 43973

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 Freeport, Harrison County as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 9, 2017, 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 Freeport'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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. We consider Findings 2016-004 and 2016-005 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Freeport'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 six instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001 through 2016-006

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
August 9, 2017

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Noncompliance

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

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

- If the Fiscal Officer can certify that both at the time that the contract or order was made ("then") and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Village.
- Blanket Certificates. Fiscal Officers may prepare "blanket" certificates if the Village has approved their use and established maximum amounts.
- Super Blanket Certificates. The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonable predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001 (Continued)

The Village did not certify the availability of funds prior to the purchase commitment for 100% of expenditures tested in 2016 and 2015. For these items the Village also did not prepare blanket certificates, super blankets certificates or then and now certificates in accordance with the Ohio Revised Code. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper code, to reduce available appropriations.

Client Response: We have received no response from the Village.

FINDING NUMBER 2016-002

Noncompliance – Appropriations

Ohio Revised Code Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

No appropriations were certified with the County Auditor in 2016 or 2015.

We recommend an annual appropriation measure be passed on or about the first day of each fiscal year and certify them to the county auditor.

Client Response: We received no response from the Village.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-003

Noncompliance

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from making a expenditure unless it has been properly appropriated.

All funds had expenditures exceeding appropriations due to no appropriations certified with the County Auditor.

The Village's failure to limit expenditures to the amounts appropriated could result in deficit spending.

We recommend the Village Council and Village Clerk/Treasurer certify their appropriations with the County Auditor and compare expenditures to appropriations on a monthly basis and then make any necessary adjustments so that the Village maintains compliance with this section.

Client Response: We have received no response from the Village.

FINDING NUMBER 2016-004

Noncompliance and Material Weakness

Ohio Admins. Code Section 117-2-02(A) requires that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public officer to identify, assemble, analyze, classify, record and reports its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

There was one adjustment that was agreed to by the Clerk/Treasurer and are reflected in the accompanying financial statements and financial records. The adjustment is as follows

- In 2016, the General Fund and Fire Fund (Special revenue Fund Type) cash balances were increased by \$5,794 and \$706, respectively, while the Street Fund (Special Revenue Fund Type) cash balance was decreased by \$6,500 for the improper posting of Rollbacks and Homestead monies which were originally posted all to the Street Fund.

Failure to maintain accurate and complete accounting records and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. The Village should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements.

Client Response: We have received no response from the Village.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-005

Noncompliance and Material Weakness

Ohio Admin Code Section 117-2-02(C)(1) states that all local offices should integrate the budgetary accounts at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Clerk/Treasurer did not post the amounts of appropriations as approved by Council or the amounts of estimated resources as certified by the County Budget Commission to the ledgers.

As the appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is necessary that the amounts appropriated by the Village Council are precisely stated and accurately posted to the appropriation ledger.

As the original certificate and amendments establish the amounts available for expenditures in the Village and the receipt ledger provides the process by which the Village controls what is available, it is necessary that the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative fund balances.

We recommend that appropriations and estimated resources be posted to the appropriation ledger and receipts ledger, accordingly and review budget versus actual information throughout the year, to enable the Village to have accurate information when making financial decisions.

Client Response: We have received no response from the Village.

FINDING NUMBER 2016-006

Noncompliance

Ohio Revised Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which the fund was established. As a result, a deficit fund balance indicates that money from one fund was used to cover the expenses of another fund.

As of December 31, 2016, the Water Operating Fund had a negative cash balance of \$6,029. As of December 31, 2015, the Street Fund had a negative fund balance of \$9,339.

We recommend the Clerk/Treasurer monitor fund balances to properly ensure that monies from one fund are not utilized to pay the obligation of another fund.

Client Response: We have received no response from the Village.

**VILLAGE OF FREEPORT
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 and 2015**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2014-01	ORC 5705.41(d) Prior Certification	No	Not Corrected - Refer to Findng 2016-001
2014-02	ORC 5705.41(B) Expenditures exceeding appropriations	No	Not Corrected - Refer to Findng 2016-003
2014-03	Ohio Admin Code 117-2-02 (A) Mispostings	No	Not Corrected - Refer to Findng 2016-004
2014-04	Ohio Admin Code 117-2-02 (C) (1) Budgetary data posted to ledgers	No	Not Corrected - Refer to Findng 2016-005
2014-05	ORC 5705.10(H) Negative Fund Balance	No	Not Corrected - Refer to Findng 2016-006

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Dave Yost • Auditor of State

VILLAGE OF FREEPORT

HARRISON 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 9, 2017