



**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999 - 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Fredericktown, Knox County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and December 31, 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2000 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 grants.

This report is intended solely for the information and use of management and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

March 3, 2000

Village of Fredericktown

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$371,062	\$0	\$371,062
Intergovernmental Receipts	117,429	132,020	249,449
Charges for Services	63	0	63
Fines, Licenses, and Permits	4,758	0	4,758
Miscellaneous	20,753	2	20,755
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	514,065	132,022	646,087
Cash Disbursements:			
Current:			
Security of Persons and Property	201,983	8,210	210,193
Public Health Services	1,433	123	1,556
Leisure Time Activities	2,936	17,931	20,867
Community Environment	2,135	0	2,135
Basic Utility Services	2,105	49,970	52,075
Transportation	126,245	8,527	134,772
General Government	173,595	84,751	258,346
Capital Outlay	83,224	0	83,224
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Total Cash Disbursements	593,656	169,512	763,168
Total Cash Receipts Over/(Under) Cash Disbursements	(79,591)	(37,490)	(117,081)
Fund cash balances, January 1, 1999	189,930	80,873	270,803
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Fund Cash Balances, December 31, 1999	<u>\$110,339</u>	<u>\$43,383</u>	<u>\$153,722</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$517,863
Miscellaneous	10,282
Total Operating Cash Receipts	528,145
Operating Cash Disbursements:	
Personal Services	161,570
Contractual Services	39,360
Supplies and Materials	115,357
Capital Outlay	177,262
Total Operating Cash Disbursements	493,549
Operating Income/(Loss)	34,596
Non-Operating Cash Receipts:	
Intergovernmental Receipts	108,736
Miscellaneous	2,207
Total Non-Operating Cash Receipts	110,943
Non-Operating Cash Disbursements:	
Debt Service	120,000
Net Receipts Over/(Under) Disbursements	25,539
Fund Cash Balances, January 1, 1999	228,610
Fund Cash Balances, December 31, 1999	\$254,149

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$417,933	\$0	\$417,933
Intergovernmental Receipts	67,109	143,209	210,318
Charges for Services	63	0	63
Fines, Licenses, and Permits	6,947	0	6,947
Miscellaneous	41,356	11,752	53,108
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	533,408	154,961	688,369
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	203,523	750	204,273
Public Health Services	1,456	0	1,456
Leisure Time Activities	694	11,650	12,344
Community Environment	4,536	644	5,180
Basic Utility Services	4,062	0	4,062
Transportation	117,052	29,626	146,678
General Government	123,677	26,605	150,282
Capital Outlay	20,983	55,703	76,686
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	475,983	124,978	600,961
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Total Cash Receipts Over/(Under) Cash Disbursements	57,425	29,983	87,408
	<hr/>	<hr/>	<hr/>
Fund cash balances, January 1, 1998	132,505	50,890	183,395
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31, 1998	<u>\$189,930</u>	<u>\$80,873</u>	<u>\$270,803</u>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$502,136
Miscellaneous	9,634
Total Operating Cash Receipts	511,770
Operating Cash Disbursements:	
Personal Services	172,522
Contractual Services	44,102
Supplies and Materials	143,181
Capital Outlay	257,560
Total Operating Cash Disbursements	617,365
Operating Income/(Loss)	(105,595)
Non-Operating Cash Receipts:	
Intergovernmental Receipts	55,763
Proceeds from Bonds	834,000
Miscellaneous	8,709
Total Non-Operating Cash Receipts	898,472
Non-Operating Cash Disbursements:	
Debt Service	1,130,620
Net Receipts Over/(Under) Disbursements	(337,743)
Fund Cash Balances, January 1, 1998	566,353
Fund Cash Balances, December 31, 1998	\$228,610

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Fredericktown, Knox County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities and police services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable, except employee deferred compensation funds maintained by outside custodians are not included in these financial statements. Assets held by custodians are described in Note 8 to the financial statements.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Federal Emergency Management Assistance Fund - This fund received monies from the Federal government and the state to pay for flood damage which occurred in 1998.

Permissive Tax Fund - This fund receives permissive tax funds from the state to be used to maintain the Village's streets.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds (Continued)

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

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Utility Improvement Fund - This fund receives loan proceeds to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 407,871	\$ 469,146
Certificates of deposit	0	30,267
Total deposits	\$ 407,871	\$ 499,413

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and December 31, 1998 were as follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 529,560	\$ 514,065	\$ (15,495)
Special Revenue	95,000	132,022	37,022
Enterprise	533,600	639,088	105,488
Total	\$ 1,158,160	\$ 1,285,175	\$ 127,015

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 688,410	\$ 593,656	\$ 94,754
Special Revenue	165,973	169,512	(3,539)
Enterprise	759,431	613,549	145,882
Total	\$ 1,613,814	\$ 1,376,717	\$ 237,097

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 498,000	\$ 533,408	\$ 35,408
Special Revenue	75,000	154,961	79,961
Enterprise	<u>1,455,764</u>	<u>1,410,242</u>	<u>(45,522)</u>
Total	<u>\$ 2,028,764</u>	<u>\$ 2,098,611</u>	<u>\$ 69,847</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 582,500	\$ 475,983	\$ 106,517
Special Revenue	109,200	124,978	(15,778)
Enterprise	<u>2,022,110</u>	<u>1,747,985</u>	<u>274,125</u>
Total	<u>\$ 2,713,810</u>	<u>\$ 2,348,946</u>	<u>\$ 364,864</u>

4. PROPERTY TAX

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. DEBT

Debt outstanding at December 31, 1999 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #0542	\$ 147,804	7%
Ohio Water Development Authority Loan #0542S	8,856	7%
Ohio Water Development Authority Loan #2041	115,929	8%
USDA Bonds	827,000	5%
Ohio Public Works Commission Loan	<u>189,000</u>	0%
Total	<u>\$ 1,288,589</u>	

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The loans will be repaid in semiannual installments of \$32,636.42, including interest, over 25 years (Loan #0542 and #0542S) and 15 years (Loan #2041). The loan from the Ohio Public Works Commission (OPWC) relates to the construction of a water treatment plant. Repayment of this note started in 1998.

The Village obtained Water Treatment System Revenue Bonds in the sum of \$834,000 from the United States Department of Agriculture (USDA). The Water Treatment Revenue Bonds and the Ohio Public Works Commission (OPWC) Loans were used to retire an outstanding note with First Knox National Bank for \$1,000,000 at maturity on December 31, 1998.

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

Year ending December 31:	OWDA Loan #0542	OWDA Loan #0542S	OWDA Loan #2041	Ohio Public Works	USDA Bonds
2000	\$ 39,586	\$ 2,388	\$ 23,299	\$ 10,500	\$ 47,282
2001	39,586	2,388	23,299	10,500	46,902
2002	39,586	2,388	23,299	10,500	46,523
2003	39,586	2,388	23,299	10,500	47,143
2004	19,793	1,194	23,299	10,500	46,715
Subsequent	<u> </u>	<u> </u>	34,980	136,500	1,597,772
Total	<u>\$ 178,137</u>	<u>\$ 10,746</u>	<u>\$ 151,475</u>	<u>\$ 189,000</u>	<u>\$ 1,832,337</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Inland Marine
- Electronic Data Processing

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

8. CUSTODIANS OF OTHER VILLAGE ASSETS

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

Deferred Compensation Assets

Certain employees may elect to participate in the Aetna Deferred Compensation Program (the Program). Amounts withheld from these employees are tax deferred, and are invested by the Program, as directed by the employees. At December 31, 1999, the Program held \$123,023 in deferred compensation assets for Village employees.



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Village of Fredericktown, Knox County, Ohio, (the Village) as of and for the years ended December 31, 1999 and December 31, 1998, and have issued our report thereon dated March 3, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of finding as item 1999-30642-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 3, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However we noted a matter involving internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 3, 2000.

This report is intended for the information of the management and the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

March 3, 2000

SCHEDULE OF FINDING
DECEMBER 31, 1999 AND 1998

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

1999-30642-001	
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Ohio Admin. Code Section 117-5-11 states that a Village shall maintain an appropriation ledger. The appropriation accounts established by the Village should be listed separately. The Village should post to each appropriation account the amount appropriated in the annual appropriation resolution. Each encumbrance and expenditure charged against the appropriation account should be posted and subtracted from the appropriated balance producing a declining unencumbered balance.

The current accounting software maintained by the Village does not allow the Village Clerk-Treasurer to post individual encumbrances against expenditure accounts which reduces the unencumbered balance. Thus, Village management can not monitor expenditures plus encumbrances against total appropriations throughout the year.

The Village should modify their current software or obtain accounting software that will track encumbrances throughout the year.



STATE OF OHIO
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VILLAGE OF FREDERICKTOWN

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 28, 2000**