



**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2009-2008



Mary Taylor, CPA
Auditor of State

VILLAGE OF FREDERICKTOWN
KNOX COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 23, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Fredericktown, Knox County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Fredericktown, Knox County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 23, 2010

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Local Taxes	\$ 112,369	\$ -	\$ 112,369
Municipal Income Tax	430,508	-	430,508
Intergovernmental	76,635	186,212	262,847
Charges for Services	45	-	45
Fines, Licenses and Permits	19,384	-	19,384
Earnings on Investments	2,767	264	3,031
Miscellaneous	27,027	6,238	33,265
 Total Cash Receipts	 668,735	 192,714	 861,449
Cash Disbursements:			
Current:			
Security of Persons and Property	324,985	-	324,985
Public Health Services	1,660	-	1,660
Leisure Time Activities	1,120	-	1,120
Community Environment	3,957	-	3,957
Basic Utility Service	6,716	-	6,716
Transportation	133,598	239,700	373,298
General Government	189,682	-	189,682
Debt Service:			
Interest and Fiscal Charges	-	5,596	5,596
 Total Cash Disbursements	 661,718	 245,296	 907,014
 Total Receipts Over/(Under) Disbursements	 7,017	 (52,582)	 (45,565)
Other Financing Receipts / (Disbursements):			
Sale of Fixed Assets	11,000	-	11,000
Other Financing Uses	(11,354)	-	(11,354)
 Total Other Financing Receipts/(Disbursements)	 (354)	 -	 (354)
 Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	 6,663	 (52,582)	 (45,919)
 Fund Cash Balances, January 1	 102,547	 228,211	 330,758
 Fund Cash Balances, December 31	 \$ 109,210	 \$ 175,629	 \$ 284,839

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 840,696
Total Operating Cash Receipts	840,696
Operating Cash Disbursements:	
Personal Services	238,567
Employee Fringe Benefits	87,573
Contractual Services	116,043
Supplies and Materials	115,437
Other	487
Total Operating Cash Disbursements	558,107
Operating Income	282,589
Non-Operating Cash Receipts:	
Intergovernmental	99,267
Special Assessments	13,178
Earnings on Investments	384
Proceeds of loans	268,976
Total Non-Operating Cash Receipts	381,805
Non-Operating Cash Disbursements:	
Capital Outlay	424,631
Redemption of Principal	587,699
Interest and Other Fiscal Charges	35,293
Total Non-Operating Cash Disbursements	1,047,623
Net Receipts Under Disbursements	(383,229)
Fund Cash Balances, January 1	1,228,929
Fund Cash Balances, December 31	\$ 845,700

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$ 77,274	\$ -	\$ 77,274
Municipal Income Tax	420,367	-	420,367
Intergovernmental	120,801	144,488	265,289
Charges for Services	162	-	162
Fines, Licenses and Permits	21,519	-	21,519
Earnings on Investments	8,434	-	8,434
Miscellaneous	16,495	-	16,495
	<u>665,052</u>	<u>144,488</u>	<u>809,540</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	290,780	-	290,780
Public Health Services	1,655	-	1,655
Leisure Time Activities	233	-	233
Community Environment	3,691	-	3,691
Basic Utility Service	5,265	-	5,265
Transportation	136,508	-	136,508
General Government	228,240	441	228,681
Capital Outlay	17,089	210,720	227,809
	<u>683,461</u>	<u>211,161</u>	<u>894,622</u>
Total Cash Disbursements			
Total Receipts Under Disbursements	<u>(18,409)</u>	<u>(66,673)</u>	<u>(85,082)</u>
Other Financing Receipts:			
Sale of Bonds	<u>-</u>	<u>155,000</u>	<u>155,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(18,409)	88,327	69,918
Fund Cash Balances, January 1	<u>120,956</u>	<u>139,884</u>	<u>260,840</u>
Fund Cash Balances, December 31	<u><u>\$ 102,547</u></u>	<u><u>\$ 228,211</u></u>	<u><u>\$ 330,758</u></u>

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 813,152
Fines, Licenses and Permits	4,800
Miscellaneous	10,103
Total Operating Cash Receipts	828,055
Operating Cash Disbursements:	
Personal Services	282,507
Contractual Services	73,764
Supplies and Materials	106,419
Total Operating Cash Disbursements	462,690
Operating Income	365,365
Non-Operating Cash Receipts:	
Intergovernmental	106,176
Earnings on Investments	16,867
Proceeds of loans	5,260,769
Total Non-Operating Cash Receipts	5,383,812
Non-Operating Cash Disbursements:	
Capital Outlay	5,268,169
Redemption of Principal	122,987
Interest and Other Fiscal Charges	35,815
Total Non-Operating Cash Disbursements	5,426,971
Net Receipts Over Disbursements	322,206
Fund Cash Balances, January 1	906,723
Fund Cash Balances, December 31	\$ 1,228,929

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Fredericktown, Knox County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Fredericktown Community Fire District for fire protection services.

The Village participates in three jointly governed organizations, the Fredericktown Community Joint Emergency Ambulance District, the Fredericktown Community Fire District and the Joint Recreation District. The Village has appointment authority for two related organizations, the Fredericktown Community Development Foundation and the Knox County Regional Planning Commission. The Village also participates in the Ohio Government Risk Management Plan public entity risk pool. Notes 8, 9, and 10 to the financial statements provide additional information for these entities.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. Deposits and Investments

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

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

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 reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds

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

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

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

3. 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 - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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 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.

2. Estimated Resources

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$325,903	\$700,035
STAR Ohio	804,636	859,652
Total deposits and investments	<u>\$1,130,539</u>	<u>\$1,559,687</u>

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

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$815,709	\$679,735	(\$135,974)
Special Revenue	387,883	192,714	(195,169)
Enterprise	7,998,819	1,222,501	(6,776,318)
Total	<u>\$9,202,411</u>	<u>\$2,094,950</u>	<u>(\$7,107,461)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$802,100	\$673,072	\$129,028
Special Revenue	330,512	245,296	85,216
Enterprise	1,927,467	1,605,730	321,737
Total	<u>\$3,060,079</u>	<u>\$2,524,098</u>	<u>\$535,981</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$808,242	\$665,052	(\$143,190)
Special Revenue	256,710	299,488	42,778
Enterprise	7,759,524	6,211,867	(1,547,657)
Total	<u>\$8,824,476</u>	<u>\$7,176,407</u>	<u>(\$1,648,069)</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$808,241	\$683,461	\$124,780
Special Revenue	236,072	211,161	24,911
Enterprise	7,402,611	5,889,661	1,512,950
Total	<u>\$8,446,924</u>	<u>\$6,784,283</u>	<u>\$1,662,641</u>

4. Property Tax

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.

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.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Property Tax (Continued)

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

5. Local Income Tax

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

Employers within the Village withhold income tax on 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.

6. Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA Bonds	\$731,000	4.75%
Ohio Public Works Commission Loan #CQ915	\$84,000	0%
Ohio Public Works Commission Loan #CT63E	\$25,654	0%
Ohio Public Works Commission Loan #CQ10G	\$289,088	0%
Ohio Public Works Commission Loan #CT51J	\$552,900	0%
Ohio Public Works Commission Loan #CQ13M	\$24,060	0%
Ohio Water Development Authority Loan #3969	\$1,280,352	0%
Ohio Water Development Authority Loan #4651	\$7,353,907	0%
Property Loan	155,000	3.61%
Total	<u>\$10,495,961</u>	

The United States Department of Agriculture (USDA) Revenue Bonds and the OPWC loan #CQ915 were issued in 1998 for the water treatment plant expansion.

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

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

In fiscal year 2006, the Village was awarded OWDA loan #4651 in the amount of \$8,373,966 and OPWC loan #CT51J in the amount of \$582,000 for Phase 2 of the Village's waste water treatment plant upgrade and expansion. The Village has drawn down an amount of \$5,260,769 for 2008 and \$244,916 for 2009.

In fiscal year 2009, the Village was awarded OPWC loan #CQ13M in the amount of \$100,200 for the Levering Drive Intersection Improvements. As of December 31, 2009, the Village had drawn down on the loan \$24,060. As of December 31, 2009, this loan was still open and amortization schedules will be unavailable until the Village makes its last draw on the loan.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Debt (Continued)

In fiscal year 2008, the Village issued \$155,000 in Real Estate Acquisition Bonds that were used to purchase a house to widen the intersection to ease traffic congestion. The bond is due on July 15, 2010. Interest is due each July 15th starting July 15, 2009.

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

Year ending December 31:	USDA Bonds	OPWC #CQ915	OPWC #CT63E	OPWC #CQ10G	OPWC #CT51J	OWDA #3969	OWDA #4651
2010	\$46,723	\$5,250	\$1,026	\$9,636	\$14,550	\$80,162	\$418,700
2011	47,153	10,500	2,052	19,273	29,100	80,162	418,700
2012	46,535	10,500	2,052	19,273	29,100	80,162	418,700
2013	46,918	10,500	2,052	19,273	29,100	80,162	418,700
2014	47,253	10,500	2,052	19,273	29,100	80,162	418,700
2015-2019	235,100	36,750	10,262	96,362	145,500	400,810	2,093,499
2020-2024	233,013	0	6,158	96,362	145,500	400,810	2,093,499
2025-2029	236,225	0	0	9,636	130,950	77,922	1,073,409
2030-2034	234,885	0	0	0	0	0	0
2035-2039	188,425	0	0	0	0	0	0
Total	<u>\$1,362,230</u>	<u>\$84,000</u>	<u>\$25,654</u>	<u>\$289,088</u>	<u>\$552,900</u>	<u>\$1,280,352</u>	<u>\$7,353,907</u>

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% and 24% of their wages, respectively. For 2009 and 2008, 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, 2009.

8. Risk Management

Risk Pool Membership

The Village belongs to 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.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Risk Management (Continued)

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. These coverage programs, referred to as Ohio Plan Risk management (“OPRM”), are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retain 15% 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 over 650 members as of December 31, 2008. The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium (“OPHC”), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member’s healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008. The Village does not participate in this coverage.

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 retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:

	2008	2007
Assets	\$10,471,114	\$11,136,455
Liabilities	(5,286,781)	(4,273,553)
Members’ Equity	\$5,184,333	\$6,862,902

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan’s website, www.ohioplan.org.

9. Jointly Governed Organizations

Fredericktown Community Joint Emergency Ambulance District

Village of Fredericktown appoints one board member (total of 6). The Ambulance District board oversees the activity and there is no financial interdependency between the Village and the Ambulance District.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

9. Jointly Governed Organizations (Continued)

Fredericktown Community Fire District

The Village of Fredericktown appoints one board member (total of 6). The Fire District board oversees the activity and there are no financial interdependency between the Village and the Fire District.

Fredericktown Joint Recreation District

The Village of Fredericktown appoints two board members (total of 7). The Recreation District oversees the park activity. There is no financial interdependency between the Village and the Recreation District.

10. Related Organizations

Fredericktown Community Development Foundation (the Foundation)

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

Knox County Regional Planning Commission

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

11. Custodians of Other Village Assets

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

Deferred Compensation Assets

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

12. Litigation

Village of Fredericktown began construction for renovations on the wastewater department in 1998. The Village entered into a contract with PAE & Associates (PAE) as the general contractor for the Waste Water Treatment Plant Improvements, Phase II – Treatment Processing, for a total contract price of \$7,474,000. On April, 8, 2009 PAE filed suit against Village of Fredericktown claiming various issues.

VILLAGE OF FREDERICKTOWN
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

12. Litigation (Continued)

On May 28, 2009, the Village of Fredericktown filed a Counterclaim.

The case was mediated on June 3, 2010, and resulted in a settlement of the case in the amount of \$600,000. The Village will use the amount set aside for contingencies existing as a part of the OWDA Construction Loan to satisfy the settlement requirements.

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Mary Taylor, CPA

Auditor of State

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

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

To the Village Council:

We have audited the financial statements of the Village of Fredericktown, Knox County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 23, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-002 and 2009-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted a certain matter not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 23, 2010.

We intend this report solely for the information and use of management, Village Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

September 23, 2010

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Certification of Funds – Non-Compliance

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity 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.

1. "Then and Now" Certificate – 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's Fiscal Officer can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of 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 expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – 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 reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

In 2009, two, or 11 percent of the transactions tested were not certified before the invoice date. In 2008, ten, or 50 percent of the transactions tested did not have a prior certification.

VILLAGE OF FREDERICKTOWN
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)

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

FINDING NUMBER 2009-001 (Continued)

Certification of Funds (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village Fiscal Officer 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 appropriation code, to reduce the available appropriation.

We also recommend the Village list the purchase order numbers used with the voucher documentation to ensure that the expenditure is properly encumbered.

FINDING NUMBER 2009-002

Fund Balance Adjustments – Non-Compliance/Material Weakness

Ohio Rev. Code Section 5705.10 (D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The following posting errors were noted:

- Permissive tax posted to General Fund instead of the Permissive Motor Vehicle Tax Fund
2009: \$12,351
- Sewer fees posted to General Fund instead of the Sewer Fund
2009: \$7,409
- Principal posted to Water Fund instead of the Sewer Fund
2009: \$4,224
- Reimbursement for labor on streets posted to General Fund instead of the Street Fund
2009: \$6,238

The Fiscal officer should be diligent in assuring funds are properly posted to the correct fund in accordance with the Uniform Accounting Network (UAN) coding system and the Ohio Revised Code.

The Fiscal officer made the adjustments to the Village's records and the adjustments are reflected in the accompanying financial statements.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-003

Financial Statement Presentation – Material Weakness

A monitoring system should be in place to prevent or detect misstatements for the accurate presentation of the Village's financial statements.

The Fiscal Officer did not always accurately post receipts and disbursements to the Village's accounting system and financial statements. The following posting errors were noted:

- In the Enterprise funds, principal and interest payments were incorrectly posted as either capital outlay, interest, or other financing sources:
 - 2009: \$575,699 (Water - \$15,750; Sewer - \$559,949)
 - 2008: \$122,987 (Water - \$21,500; Sewer - \$101,487)
- In the Enterprise Sewer Fund loan proceeds and related capital outlay from Ohio Water Development Authority and Ohio Public Works Commission on-behalf payments were not recorded to the accounting system:
 - 2009: \$268,976
 - 2008: \$5,260,769
- In the Special Revenue State Highway fund loan proceeds and related capital outlay from the purchase of a house were not recorded to the accounting system:
 - 2008: \$155,000
- Special items and extraordinary items were reclassified to Miscellaneous and Sale of Assets
 - 2009: \$20,417
- In the Enterprise Sewer fund, a construction payment was posted to Other financing sources instead of capital outlay:
 - 2009: \$47,936
- In Enterprise Sewer fund, intergovernmental receipts and related capital outlay resulting from on-behalf payments made by OPWC were not recorded in the Village's accounting system:
 - 2008: \$89,800
- In the Enterprise fund, two escrow accounts held for construction were not included on the accounting system:
 - 2008: \$108,010 (PAE - \$94,868; Spring - \$13,142)
- In the Enterprise Spring fund, escrow account was released to the construction company and the payment was not recorded on the accounting system:
 - 2009: \$13,178
- Earnings on Investment posted to General Fund instead of Enterprise funds
 - 2008: \$1,834 (PAE - \$1,795; Spring - \$39)

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008
(Continued)**

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

FINDING NUMBER 2009-003 (Continued)

Financial Statement Presentation (Continued)

Not posting receipts and disbursements accurately to the ledgers resulted in the financial statements requiring numerous audit reclassifications and adjusting entries; furthermore, inaccurate accounting records could make it difficult for the Village Council to effectively monitor the Village's activities or identify misstatements or errors in a timely manner. The reclasses and adjustments have been made to the Village's accounting system and are reflected in the accompanying financial statements.

We recommend the Village's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. Cash receipts and disbursements should be posted in accordance with procedures and posting guidelines established in the Uniform Accounting Network line item descriptions. By exercising accuracy in recording financial activity, the Village can reduce posting errors and increase the reliability of the financial data throughout the year.

We did not receive a response from Official's to the findings reported above.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Financial Statement Presentation	No	Reissued as Finding 2009-003
2007-002	Accounting Software	Yes	
2007-003	Ohio Rev. Code Section 135.21 - Interest Allocation	Yes	
2007-004	Ohio Rev. Code Section 5705.41 (D)(1) - Certificate of Funds	No	Reissued as Finding 2009-001
2007-005	Ohio Rev. Code Section 117.38 - Filing of Annual Financial Report	Yes	

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Mary Taylor, CPA
Auditor of State

VILLAGE OF FREDERICKTOWN

KNOX COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 30, 2010**