



**Auditor of State
Betty Montgomery**

FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Finding	11

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Fredericktown Recreation District
Knox County
P.O. Box 86
Fredericktown, Ohio 43019

To the Board of Directors:

We have audited the accompanying financial statements of the Fredericktown Recreation District, Knox County, Ohio, (the District) as of and for the years ended December 31, 2002, and December 31, 2001. These financial statements are the responsibility of the District'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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the District 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the District as of December 31, 2002, and December 31, 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As described in Note 2, the District reported a Community Center Capital Projects Fund that was previously omitted from the District's financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Fredericktown Recreation District
Knox County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of management, the Board of Directors, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

May 1, 2003

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$147,233	\$0	\$147,233
Intergovernmental	51,054	0	51,054
Charges for Services	16,654	0	16,654
Interest	672	337	1,009
Gifts and Donations	0	57,135	57,135
Miscellaneous	2,064	0	2,064
	<u>217,677</u>	<u>57,472</u>	<u>275,149</u>
Total Cash Receipts			
Cash Disbursements:			
General Government	57,653	1,013	58,666
Parks and Recreation	106,252	0	106,252
Capital Outlay	63,911	0	63,911
Total Cash Disbursements	<u>227,816</u>	<u>1,013</u>	<u>228,829</u>
Total Receipts Over/(Under) Disbursements	(10,139)	56,459	46,320
Fund Cash Balances, January 1	<u>50,065</u>	<u>52,590</u>	<u>102,655</u>
Fund Cash Balances, December 31	<u><u>\$39,926</u></u>	<u><u>\$109,049</u></u>	<u><u>\$148,975</u></u>

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

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$125,469	\$0	\$125,469
Intergovernmental	23,586	0	23,586
Charges for Services	16,394	0	16,394
Interest	632	312	944
Gifts and Donations	0	38,741	38,741
Miscellaneous	6,924	0	6,924
	<u>173,005</u>	<u>39,053</u>	<u>212,058</u>
Total Cash Receipts			
Cash Disbursements:			
General Government	56,428	3,269	59,697
Parks and Recreation	89,043	0	89,043
Capital Outlay	25,462	0	25,462
Total Cash Disbursements	<u>170,933</u>	<u>3,269</u>	<u>174,202</u>
Total Receipts Over Disbursements	2,072	35,784	37,856
Fund Cash Balances, January 1	<u>47,993</u>	<u>16,806</u>	<u>64,799</u>
Fund Cash Balances, December 31	<u><u>\$50,065</u></u>	<u><u>\$52,590</u></u>	<u><u>\$102,655</u></u>

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

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Fredericktown Recreation District, Knox County, (the District) 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 District is jointly governed by the Village of Fredericktown, Berlin Township, Middlebury Township, Morris Township, Pike Township, and Wayne Township. Each Township appoints one member of the Board and Fredericktown appoints two, for a total of seven board members. The District provides general governmental services, including park operations.

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

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

Investments are included in fund cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Investment in STAR Ohio (the State Treasurer's Investment Pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District 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. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The District had the following Capital Projects Fund:

Community Center Fund - This fund received gifts and donations to fund the construction of a community center.

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 object level of control, and appropriations may not exceed estimated resources. Appropriation Authority includes current year appropriations plus encumbrances carried over from the prior year (if any). The Board must annually approve appropriation measures and subsequent amendments. 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.

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 4.

F. Property, Plant and Equipment

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

2. CORRECTION OF AN ERROR

The District has been accepting donations for the construction of a community center. The financial activity associated with the community center has not previously been reported on the District's financial statements. As a result, adjustments were made to properly reflect this activity for fiscal years 2001 and 2002. The fund balance change for the Community Center Capital Projects Fund was as follows:

Capital Projects Fund:	
Balance December 31, 2000	\$ -
Correction of an Error	16,806
Restated Fund Balance	<u>16,806</u>
January 1, 2001	<u><u>\$ 16,806</u></u>

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS

The District 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:

	2002	2001
Demand deposits	\$111,244	\$62,540
STAR Ohio	37,731	40,115
Total deposits and investments	\$148,975	\$102,655

Deposits: Except as noted below, deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

At December 31, 2002, \$9,049 of deposits held in the Community Center account were not insured or collateralized, contrary to Ohio law.

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$210,100	\$217,677	\$7,577
Capital Projects	0	57,472	57,472
Total	\$210,100	\$275,149	\$65,049

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$249,520	\$227,816	\$21,704
Capital Projects	0	1,013	(\$1,013)
Total	\$249,520	\$228,829	\$20,691

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$163,800	\$173,005	\$9,205
Capital Projects	0	39,053	39,053
Total	\$163,800	\$212,058	\$48,258

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,750	\$170,933	\$22,817
Capital Projects	0	3,269	(\$3,269)
Total	\$193,750	\$174,202	\$19,548

The activity in the Capital Projects Fund was not budgeted for in accordance with Ohio Revised Code Section 5705.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Board of Park Directors. 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 payments, 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.

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

6. RETIREMENT SYSTEM

The District's full-time and seasonal employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides 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 2002 and 2001, members of PERS contributed 8.5% of their gross salaries; the District contributed an amount equal to 13.55% of participants' gross salaries. The District has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Commercial Insurance

The District has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



**Auditor of State
Betty Montgomery**

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

Fredericktown Recreation District
Knox County
P.O. Box 86
Fredericktown, Ohio 43019

To the Board of Directors:

We have audited the accompanying financial statements of the Fredericktown Recreation District, Knox County, Ohio, (the District) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated May 1, 2003, in which we noted the District reported a fund that was previously omitted from the District's financial statements. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District'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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying schedule of finding as item **2002- 001**.

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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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a not a material weakness.

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



BETTY MONTGOMERY
Auditor of State

May 1, 2003

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDING
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002- 001

Community Center Account Activity

The District has established an account for the receipt of gifts and donations to fund the construction of a community center. Several weaknesses were noted pertaining to this account/activity:

1. The activity of the Community Center account was not budgeted for in accordance with budgetary law outlined in the Ohio Revised Code, Section 5705. The activity in this account has not been presented in the financial statements of the District for 2001 and 2002. Audit adjustments were made to properly reflect this activity.
2. A Steering Committee has been established to organize the activity related to the community center. The Committee appears to operate independent of the Board with little oversight. No policies or procedures have been adopted to define the function of this Committee and the manner in which it is to operate.
3. The expenditures from this account did not flow through the normal purchasing process of the District. Purchase orders were not utilized, invoices and/or supporting documentation were not maintained, and expenditures were not included in the monthly financial information presented to the Board for review and approval.
4. Duplicate receipts were not issued by the District for gifts and donations received into the Community Center account. In addition, these receipts were not included in the monthly financial information presented to the Board for review and approval.

The following are recommendations to address the above noted weaknesses:

1. The funds should be budgeted in accordance with the Ohio Revised Code, Section 5705. In future years, all activity should be presented in the financial statements.
2. The District should adopt policies and procedures to address the activity related to the community center. The policy should clearly define the purpose and responsibility of the Steering Committee, as well as the purpose for which the donations collected may be expended.
3. Expenditures should flow through the normal purchasing procedures of the District. Proper supporting documentation should be maintained for all expenditures and appropriations verses actual expenditures should be presented for review and approval of the Board at monthly meetings.
4. The District Treasurer should issue duplicate receipts for all monies received and present budget verses actual receipts in the financial information submitted to the Board.



**Auditor of State
Betty Montgomery**

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FREDERICKTOWN RECREATION DISTRICT

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
JUNE 10, 2003**