



**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2013-2012



Dave Yost • Auditor of State

VILLAGE OF FREDERICKTOWN
KNOX COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Fredericktown, Knox County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Fredericktown as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Fredericktown, Knox County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2014, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2014

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$ 132,382	\$ -	\$ 132,382
Municipal Income Tax	462,933	-	462,933
Intergovernmental	94,337	141,054	235,391
Charges for Services	499	-	499
Fines, Licenses and Permits	34,710	-	34,710
Earnings on Investments	225	26	251
Miscellaneous	27,897	110,000	137,897
Total Cash Receipts	752,983	251,080	1,004,063
Cash Disbursements:			
Current:			
Security of Persons and Property	401,614	-	401,614
Public Health Services	1,500	-	1,500
Leisure Time Activities	2,426	-	2,426
Community Environment	3,883	-	3,883
Basic Utility Services	5,829	-	5,829
Transportation	143,353	172,641	315,994
General Government	185,741	-	185,741
Debt Service:			
Redemption of Principal	16,598	-	16,598
Interest and Other Fiscal Charges	3,714	-	3,714
Total Cash Disbursements	764,658	172,641	937,299
Total Receipts Over/(Under) Disbursements	(11,675)	78,439	66,764
Fund Cash Balance, January 1	217,471	186,691	404,162
Fund Cash Balance, December 31			
Restricted	-	265,130	265,130
Assigned	205,796	-	205,796
Fund Cash Balance, December 31	\$ 205,796	\$ 265,130	\$ 470,926

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,282,069
Miscellaneous	26,140
	1,308,209
 Total Cash Receipts	 1,308,209
Operating Cash Disbursements:	
Personal Services	235,209
Employee Fringe Benefits	91,074
Contractual Services	137,812
Supplies and Materials	162,311
	626,406
 Total Cash Disbursements	 626,406
 Operating Income	 681,803
Non-Operating Receipts/(Disbursements):	
Capital Outlay	(719,475)
Principal Retirement	(363,541)
Interest and Other Fiscal Charges	(33,190)
Intergovernmental	556,064
Sale of Notes	150,000
	(410,142)
 Total Non-Operating Receipts/(Disbursements)	 (410,142)
 Net Change in Fund Cash Balances	 271,661
 Fund Cash Balances, January 1	 592,431
 Fund Cash Balances, December 31	 \$ 864,092

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$ 131,063	\$ -	\$ 131,063
Municipal Income Tax	441,633	-	441,633
Intergovernmental	59,172	139,208	198,380
Special Assessments	1,010	-	1,010
Fines, Licenses and Permits	32,245	-	32,245
Earnings on Investments	563	68	631
Miscellaneous	21,947	9,088	31,035
	<u>687,633</u>	<u>148,364</u>	<u>835,997</u>
Total Cash Receipts			
	<u>687,633</u>	<u>148,364</u>	<u>835,997</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	359,439	630	360,069
Public Health Services	500	-	500
Leisure Time Activities	1,752	-	1,752
Community Environment	3,822	-	3,822
Basic Utility Services	6,722	-	6,722
Transportation	148,037	103,084	251,121
General Government	190,239	-	190,239
Capital Outlay	22,062	-	22,062
Debt Service:			
Redemption of Principal	15,789	-	15,789
Interest and Other Fiscal Charges	4,523	-	4,523
	<u>752,885</u>	<u>103,714</u>	<u>856,599</u>
Total Cash Disbursements			
	<u>752,885</u>	<u>103,714</u>	<u>856,599</u>
Total Receipts Over/(Under) Disbursements	(65,252)	44,650	(20,602)
Other Financing Receipts/(Disbursements):			
Debt Proceeds	22,062	-	22,062
	<u>22,062</u>	<u>-</u>	<u>22,062</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(43,190)	44,650	1,460
	<u>(43,190)</u>	<u>44,650</u>	<u>1,460</u>
Fund Cash Balance, January 1	260,661	142,041	402,702
	<u>260,661</u>	<u>142,041</u>	<u>402,702</u>
Fund Cash Balance, December 31			
Restricted	-	186,691	186,691
Assigned	90,305	-	90,305
Unassigned (Deficit)	127,166	-	127,166
Fund Cash Balance, December 31	<u>\$ 217,471</u>	<u>\$ 186,691</u>	<u>\$ 404,162</u>

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,301,935
Total Cash Receipts	1,301,935
Operating Cash Disbursements:	
Personal Services	253,682
Employee Fringe Benefits	75,583
Contractual Services	127,386
Supplies and Materials	80,832
Other	453
Total Cash Disbursements	537,936
Operating Income	763,999
Non-Operating Receipts/(Disbursements):	
Capital Outlay	(360,815)
Principal Retirement	(572,786)
Interest and Other Fiscal Charges	(33,535)
Intergovernmental	270,380
Total Non-Operating Receipts/(Disbursements)	(696,756)
Net Change in Fund Cash Balances	67,243
Fund Cash Balances, January 1	525,188
Fund Cash Balances, December 31	\$ 592,431

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, 2013 AND 2012**

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, (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 to receive fire protection services.

The Village participates in three jointly governed organizations, two related organizations and the Ohio Plan Risk Management public entity risk pool. Notes 8, 9 and 10 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

*Fredericktown Community Joint Emergency Ambulance District
Fredericktown Community Fire District
Joint Recreation District*

Related Organizations:

*Fredericktown Community Development Foundation
Knox County Regional Planning Commission*

Public Entity Risk Pool:

Ohio Plan Risk Management

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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

Permissive Motor Vehicle License Tax Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Parks and Recreation Fund – This fund receives contributions for the construction of a bike path.

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. Unencumbered appropriations lapse at year end.

VILLAGE OF FREDERICKTOWN
KNOX COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

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 approve estimated resources.

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.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

4. Unassigned

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

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

G. 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.

H. 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>2013</u>	<u>2012</u>
Demand deposits	\$1,277,606	\$651,044
STAR Ohio	57,412	345,549
Total deposits and investments	<u>\$1,335,018</u>	<u>\$996,593</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, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$776,798	\$752,983	(\$23,815)
Special Revenue	176,294	251,080	74,786
Enterprise	1,283,007	2,014,273	731,266
Total	\$2,236,099	\$3,018,336	\$782,237

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$867,103	\$764,658	\$102,445
Special Revenue	255,713	172,641	83,072
Enterprise	1,909,948	1,742,612	167,336
Total	\$3,032,764	\$2,679,911	\$352,853

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$659,300	\$709,695	\$50,395
Special Revenue	111,000	148,364	37,364
Enterprise	1,681,023	1,572,315	(108,708)
Total	\$2,451,323	\$2,430,374	(\$20,949)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$917,234	\$752,885	\$164,349
Special Revenue	255,768	103,714	152,054
Enterprise	1,665,188	1,505,072	160,116
Total	\$2,838,190	\$2,361,671	\$476,519

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.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #4651	\$6,439,500	0%
Ohio Water Development Authority Loan #3969	960,600	0%
Ohio Public Works Commission Loan #CT51J	451,050	0%
Ohio Public Works Commission Loan #CQ10G	221,635	0%
Ohio Public Works Commission Loan #CT63E	18,471	0%
Ohio Public Works Commission Loan #CQ915	47,250	0%
Ohio Public Works Commission Loan #CQ13M	19,848	0%
USDA Bonds	679,000	4.75%
Bond Anticipation Notes (2011)	102,082	3.5% - 4.5%
Bond Anticipation Notes (2012)	150,000	3.25% - 4.75%
Total	<u><u>\$9,089,436</u></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.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt (Continued)

In fiscal year 2009, the Village was awarded OPWC loan #CQ13M in the amount of \$100,200 for the Levering Drive Intersection Improvements.

In fiscal year 2011, the Village issued \$110,000 in Bond Anticipation Notes that were used to purchase property. The Bond Anticipation Notes have a maturity of December 1, 2031. The interest rate is 3.5% for the first ten years and 4.5% for the last ten years.

In fiscal year 2012, the Village entered into a lease-purchase agreement for \$22,062 for the purchase of a police vehicle. The interest rate was 6.29%. The end of the lease term was February 2013 and the police vehicle was purchased for one dollar.

In fiscal year 2013, the Village issued \$150,000 in Bond Anticipation Notes that were used to construct a new water tower. The Bond Anticipation Notes have a maturity of September 1, 2033. The interest rate is 3.25% for the first ten years and 4.75% for the last ten years.

The Village's taxing authority and water and sewer utilities collateralized the bonds and loans.

Debt Covenants

In 2012, the USDA bond payments were made out of the General and Water fund in the amount of \$17,089 and \$29,446 respectively. Per the debt covenant the principal and interest payments are to be paid out of the debt service fund.

In 2013, the Reserve fund balance was transferred to the Debt service fund in the amount of \$47,489 to pay USDA bond principal and interest. Per the debt covenants the Reserve fund shall be used only for the purpose of paying the cost of repairing or replacing any damage to the System which may be caused by an unforeseen catastrophe.

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

Years ending December 31:	Ohio Water Development Authority Loan #4651	Ohio Water Development Authority Loan #3969	Ohio Public Works Commission Loan #CT51J	Ohio Public Works Commission Loan #CQ10G
2014	\$418,700	\$80,162	\$29,100	\$19,273
2015	418,700	80,162	29,100	19,273
2016	418,700	80,162	29,100	19,273
2017	418,700	80,162	29,100	19,273
2018	418,700	80,162	29,100	19,273
2019-2023	2,093,500	400,810	145,500	96,365
2024-2028	2,093,500	158,980	145,500	28,905
2029-2031	159,000		14,550	
Total	<u>\$6,439,500</u>	<u>\$960,600</u>	<u>\$451,050</u>	<u>\$221,635</u>

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Debt (Continued)

Years ending December 31:	Ohio Public Works Commission Loan #CQ915	Ohio Public Works Commission Loan #CQ13M	USDA Bonds	2011 Bond Anticipation Notes	2013 Bond Anticipation Notes
2014	\$10,500	\$1,203	\$47,253	\$7,741	\$10,202
2015	10,500	1,203	46,540	7,741	10,202
2016	10,500	1,203	46,828	7,741	10,202
2017	10,500	1,203	47,067	7,741	10,202
2018	5,250	1,203	47,260	7,741	10,202
2019-2023		6,015	233,810	39,495	51,008
2024-2028		6,015	235,353	40,681	54,547
2029-2033		1,803	235,628	24,409	54,547
2034-2038			235,113		
Total	<u>\$47,250</u>	<u>\$19,848</u>	<u>\$1,174,852</u>	<u>\$143,290</u>	<u>\$211,112</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 2013 and 2012, OP&F participants contributed 10% of their wages. For 2013 and 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013 and 2012, 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, 2013.

8. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

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

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management (Continued)

Risk Pool Membership (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

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

9. Jointly Governed Organizations

Fredericktown Community Joint Emergency Ambulance District

The Village of Fredericktown appoints one of the six board members. The Ambulance District board oversees the activity and there is no financial interdependency between the Village and the Ambulance District.

Fredericktown Community Fire District

The Village of Fredericktown appoints one of the six board members. The Fire District board oversees the activity and there is no financial interdependency between the Village and the Fire District.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. Jointly Governed Organizations (Continued)

Fredericktown Joint Recreation District

The Village of Fredericktown appoints two of the seven board members. 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 acts as a Chamber of Commerce where the Foundation tries to bring new business into the community. 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.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Village of Fredericktown, Knox County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 4, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-004 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2013-001, 2013-003, and 2013-004.

Entity's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2014

VILLAGE OF FREDERICKTOWN
KNOX COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Material Weakness and Non-Compliance – On Behalf Grants

Ohio Rev. Code § 5705.42 provides in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In 2013 and 2012, respectively, the Village received \$270,380 and \$552,057 from Ohio Public Works Commission (OPWC) for an elevated tank project. Under the terms of this agreement, OPWC makes some project payments directly to the vendor/contractor(s) on the Village's behalf. The Village did not recognize any of the receipts or payments in 2013 or 2012, thus understating receipts and disbursements.

Any payments made on behalf of the Village by another party should be recorded by the Village's Fiscal Officer as a receipt and disbursement. Failure to do so results in an understatement of receipts and disbursements. The Village should refer to Auditor of State Bulletin 2002-004 for additional guidance.

The Fiscal Officer made the adjustments to the Village's accounting records and the adjustments are reflected in the accompanying financial statements to recognize these receipts and disbursements.

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002

Material Weakness – Financial Statement Presentation

The receipt and disbursement testing revealed the Village recorded many transactions incorrectly in their accounting records. In addition, the Village did not have a review process in place to identify these errors for their financial statement reporting. Incorrect postings identified include, those listed in findings 2013-001 through 2013-004 and the following:

Posting Error	2012	2013
General Fund:		
Reclass special and extraordinary items to miscellaneous	\$ 15,339	\$ 23,518
Reclass BWC payments out of Other Financing Uses to General Government	\$ 11,395	\$ 9,272
Record debt proceeds for police vehicle	\$ 22,062	\$ -
Reclass police vehicle debt payments out of Securities and Persons to Principal and interest	\$ 11,367	\$ 11,368
Reclass OPWC payments to principal from transportation	\$ 602	\$ -
Reclass CAT and Rollback monies from Taxes to Intergovernmental	\$ 15,279	\$ 21,603
Reclass fund balance for subsequent year appropriations exceeding estimated resources from unrestricted to assigned	\$ 90,305	\$ 205,796
Reclass debt payments out of General Government to Principal and interest	\$ 7,741	\$ 7,741
Special Revenue:		
Reclass insurance refund from Charges for Service to Miscellaneous	\$ 9,088	\$ -
Adjust bike path donations that were posted to Permissive Tax fund instead of Parks & Rec fund	\$ -	\$ 110,000
Adjust bike path expenditures that were posted to Permissive Tax fund instead of Parks & Rec fund	\$ -	\$ 47,025

**VILLAGE OF FREDERICKTOWN
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2013-002 (Continued)

Material Weakness – Financial Statement Presentation (Continued)

Posting Error	2012	2013
Enterprise Funds:		
Reclass OWDA payments from Transfers out to principal	\$ 194,957	\$ 249,375
Reclass OPWC payments from Supplies and materials (Sewer) to Principal	\$ 30,399	\$ -
Reclass OPWC payments from Supplies and materials (Water) to Principal	\$ 10,500	\$ -
Transfer monies from Water (5101) to Debt Service (5721)	\$ 47,489	\$ -
Reclass Special Assessments and Special items to Miscellaneous for refunds received	\$ -	\$ 23,415
Reclass Water tower payments from Supplies and materials (Water) to Interest	\$ -	\$ 272
Reclass USDA payments from principal to interest	\$ -	\$ 32,918
Reclass OPWC payments from Other Financing Uses to Principal	\$ -	\$ 89,666
Reclass Other Financing Sources to Miscellaneous	\$ -	\$ 2,725
Transfer monies from Water (5101) to Debt Service (5721)	\$ -	\$ 46,918
Total adjustments/reclasses	\$ 466,523	\$ 881,612

The Village should exercise due care when posting transactions to help ensure receipts and disbursements are posted to the correct fund and account. The Village should also adopt a review process to identify errors in posting activity to the accounting records and reporting on the financial statements. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

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, 2013 AND 2012
(Continued)

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

FINDING NUMBER 2013-003

Material Weakness and Non-Compliance – Financial Statement Presentation

Ohio Rev. Code § 5705.10(D) provides 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:

- In 2012, an USDA payment was paid from the General fund in the amount of \$17,089. Per the USDA agreement, payments are to be paid from the water fund.
- In 2012, an OPWC payment was paid from the Street Construction fund in the amount of \$602. Per the OPWC agreement, payments are to be paid from the General fund.
- In 2012 and 2013, street and highway distribution was posted to the General fund in the amounts of \$10,743 and \$18,044 respectively. The receipts should have been posted to Street Construction and State Highway funds.
- In 2013, an OPWC payment was paid from the Enterprise fund in the amount of \$1,203. Per the OPWC agreement, payments are to be paid from the General fund.
- In 2012, a vehicle registration receipt was posted to Street Construction fund instead of Permissive Motor Vehicle License Tax (MVLT) fund in the amount of \$1,215.
- In 2012, Permissive tax and vehicle registration receipts were posted to State Highway fund instead of Permissive MVLT fund in the amount of \$2,398.
- In 2013, a vehicle registration receipt was posted to Permissive fund instead of Permissive MVLT fund in the amount of \$1,331.
- In 2013, a motor vehicle receipt was posted to Permissive fund instead of State Highway fund in the amount of \$111. This was adjusted on the financial statements.
- In 2012, an USDA payment was paid from the Water fund in the amount of \$29,446. Per the USDA agreement, payments are to be paid from the debt service enterprise fund.
- In 2012 and 2013, OPWC payments were paid from the Water Fund in the amount of \$25,212 and \$10,500 respectively. Per the OPWC agreement, payments are to be paid from the Sewer fund.

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. As noted in finding 2013-002, the Village should adopt a review process to identify errors in posting activity to the accounting records and reporting on the financial statements.

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, 2013 AND 2012
(Continued)

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

FINDING NUMBER 2013-004

Material Weakness and Non-Compliance – Debt Covenants

Village Ordinance 2002-29 defines the debt covenants as required by the United States Department of Agriculture (USDA). Section 8 of the debt covenant requires a Debt Service fund and Debt Service Reserve fund be established by the Village. Section 10 provides that the Debt Service fund is to be used solely for the payment of principal and interest on the USDA bonds and the Reserve fund shall be used only for the purpose of paying the cost of repairing or replacing any damage to the System which may be caused by an unforeseen catastrophe.

As noted in finding 2013-003, in 2012, the USDA bond payments were made out of the General and Water fund in the amount of \$17,089 and \$29,446 respectively.

In 2013, the Reserve fund balance was transferred to the Debt service fund in the amount of \$47,489 to pay USDA bond principal and interest.

We recommend the Fiscal Officer pay the USDA bond principal and interest payments from the Debt Service fund and that the Reserve fund balance only be used only for paying the cost of repairing the System. Additionally, the Reserve fund should be maintained at the required balance outlined in the debt covenant.

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

Official's Response: The current Administration and Council are aware of the findings from the 2012 and 2013 audit and will comply with state law.

VILLAGE OF FREDERICKTOWN
KNOX COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	On Behalf Grants Posting	No	Repeated as Finding 2013-001
2011-002	Transaction Postings	No	Repeated as Finding 2013-002



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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
FEBRUARY 24, 2015**