



**Auditor of State  
Betty Montgomery**



VILLAGE OF FREDERICKTOWN  
KNOX COUNTY

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**Auditor of State  
Betty Montgomery**

**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 the Village of Fredericktown, Knox County, Ohio, (the Village) as of and for the years ended December 31, 2003, and December 31, 2002. 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 *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 Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than 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 combined fund cash balances of the Village as of December 31, 2003, and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2004, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

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Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
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This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

July 22, 2004

**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, 2003**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$486,005	\$0	\$486,005
Intergovernmental Receipts	106,591	110,204	216,795
Fines, Licenses, and Permits	8,674	0	8,674
Earnings on Investments	888	0	888
Miscellaneous	21,778	0	21,778
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	623,936	110,204	734,140
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	246,500	0	246,500
Public Health Services	1,778	0	1,778
Leisure Time Activities	645	0	645
Community Environment	2,257	0	2,257
Basic Utility Services	5,636	0	5,636
Transportation	180,746	0	180,746
General Government	151,436	500	151,936
Capital Outlay	36,386	95,903	132,289
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	625,384	96,403	721,787
Total Receipts Over/(Under) Disbursements	(1,448)	13,801	12,353
Fund Cash Balances, January 1	104,454	46,592	151,046
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$103,006</b>	<b>\$60,393</b>	<b>\$163,399</b>

*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, 2003

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$657,633
Miscellaneous	1,196
	<hr/>
Total Operating Cash Receipts	658,829
	<hr/>
<b>Operating Cash Disbursements:</b>	
Personal Services	211,336
Contractual Services	48,839
Supplies and Materials	156,263
Capital Outlay	120,855
	<hr/>
Total Operating Cash Disbursements	537,293
	<hr/>
Operating Income	121,536
	<hr/>
<b>Non-Operating Cash Receipts:</b>	
Interest	3,808
Proceeds from Loans	86,963
Other Non-Operating Receipts	16,589
	<hr/>
Total Non-Operating Cash Receipts	107,360
	<hr/>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	124,756
	<hr/>
Total Non-Operating Cash Disbursements	124,756
	<hr/>
Net Receipts Over Disbursements	104,140
	<hr/>
Fund Cash Balances, January 1	165,698
	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$269,838</u></u></b>

*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, 2002**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$454,445	\$0	\$454,445
Intergovernmental Receipts	115,682	117,847	233,529
Fines, Licenses, and Permits	11,751	0	11,751
Earnings on Investments	3,419	0	3,419
Miscellaneous	24,008	0	24,008
	<u>609,305</u>	<u>117,847</u>	<u>727,152</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	253,467	0	253,467
Public Health Services	1,895	0	1,895
Leisure Time Activities	153	63	216
Community Environment	2,280	0	2,280
Basic Utility Services	6,669	0	6,669
Transportation	152,166	0	152,166
General Government	153,782	10,318	164,100
Capital Outlay	18,575	91,480	110,055
	<u>588,987</u>	<u>101,861</u>	<u>690,848</u>
Total Receipts Over Disbursements	<u>20,318</u>	<u>15,986</u>	<u>36,304</u>
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In		1,025	1,025
Transfers-Out	(1,025)		(1,025)
	<u>(1,025)</u>	<u>1,025</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	19,293	17,011	36,304
Fund Cash Balances, January 1	<u>85,161</u>	<u>29,581</u>	<u>114,742</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$104,454</u></b>	<b><u>\$46,592</u></b>	<b><u>\$151,046</u></b>

*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, 2002**

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$598,059
Miscellaneous	501
	<hr/>
Total Operating Cash Receipts	598,560
	<hr/>
<b>Operating Cash Disbursements:</b>	
Personal Services	207,695
Fringe Benefits	
Contractual Services	41,867
Supplies and Materials	155,975
Capital Outlay	319,012
	<hr/>
Total Operating Cash Disbursements	724,549
	<hr/>
Operating (Loss)	(125,989)
	<hr/>
<b>Non-Operating Cash Receipts:</b>	
Interest	2,961
Intergovernmental Receipts	53,046
Proceeds Loans	41,047
	<hr/>
Total Non-Operating Cash Receipts	97,054
	<hr/>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	123,322
	<hr/>
Total Non-Operating Cash Disbursements	123,322
	<hr/>
Net Receipts (Under) Disbursements	(152,257)
	<hr/>
Fund Cash Balances, January 1	317,955
	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$165,698</u></u></b>

*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, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

The Village's management believes these financial statements present all activities for which the Village 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. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

*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 that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

**VILLAGE OF FREDERICKTOWN  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**3. Enterprise Funds (Continued)**

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

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

**D. 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 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.

**3. Encumbrances**

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

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

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

**F. Unpaid Vacation and Sick Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused vacation and sick leave. Unpaid vacation and sick leave are not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF FREDERICKTOWN  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2003	2002
Demand deposits	\$433,237	\$316,744

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$608,474	\$623,936	\$15,462
Special Revenue	102,000	110,204	8,204
Enterprise	836,788	766,189	(70,599)
Total	\$1,547,262	\$1,500,329	(\$46,933)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$712,928	\$625,384	\$87,544
Special Revenue	148,548	96,403	52,145
Enterprise	986,486	662,049	324,437
Total	\$1,847,962	\$1,383,836	\$464,126

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$590,000	\$609,305	\$19,305
Special Revenue	102,000	118,872	16,872
Enterprise	559,000	695,614	136,614
Total	\$1,251,000	\$1,423,791	\$172,791

**VILLAGE OF FREDERICKTOWN  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$675,161	\$590,012	\$85,149
Special Revenue	131,574	101,861	29,713
Enterprise	876,800	847,871	28,929
Total	\$1,683,535	\$1,539,744	\$143,791

**4. PROPERTY TAX**

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

**DEBT**

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan #0542S	\$1,113	7.11%
Ohio Water Development Authority Loan #0542	18,496	7.11%
Ohio Water Development Authority Loan #2041	51,112	7.62%
Ohio Water Development Authority Loan #3788	86,963	0%
USDA Bonds	794,000	4.75%
Ohio Public Works Commission Loan #CQ915	147,000	0%
Ohio Public Works Commission Loan #CT63E	37,969	0%
Total	\$1,136,653	

**VILLAGE OF FREDERICKTOWN  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**5. LOCAL INCOME TAX (Continued)**

Ohio Water Development Authority (OWDA) loans #0542S, #0542, and #2041 relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency.

OWDA loan #3788 awarded for \$331,000, and the Ohio Public Works Commission (OPWC) loan #CT63E awarded for \$41,047 relate to the planning for the Bio Solid Processing Replacement. The proceeds of the OWDA loan #3788 continue to be drawn down by the Village subsequent to 2003. The Village was also awarded OWDA loan #3969 for \$1,288,047 and OPWC loan #CQ09G/CQ10G for \$600,000 in 2003 for the construction of the Bio Solid Processing Replacement. As of December 31, 2003 the Village had not drawn down funds related to either of these loans.

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

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

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

Year ending December 31:	OWDA Loan #0542S	OWDA Loan #0542	OWDA Loan #2041	USDA Bonds	OPWC #CQ915	OPWC #CT63E
2004	\$1,190	\$19,773	\$22,982	\$46,715	\$10,500	\$2,052
2005			23,102	47,288	10,500	2,052
2006			11,581	46,813	10,500	2,052
2007				47,338	10,500	2,052
2008				46,815	10,500	2,052
Subsequent				1,409,665	94,500	27,709
Total	<u>\$1,190</u>	<u>\$19,773</u>	<u>\$57,665</u>	<u>\$1,644,634</u>	<u>\$147,000</u>	<u>\$37,969</u>

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2003. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF FREDERICKTOWN  
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5% portion the Plan retains. With policies effective September 1, 2003 and after, The Plan pays the lesser of 5% or \$25,000 for casualty losses up to the coverage limit and the lesser of 5% or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2003</b>	<b>2002</b>
Assets	\$5,402,167	\$5,584,592
Liabilities	<u>(1,871,123)</u>	<u>(2,441,793)</u>
Members' Equity	<u>\$3,531,044</u>	<u>\$3,142,799</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**8. CUSTODIANS OF OTHER VILLAGE ASSETS**

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

**Deferred Compensation Assets**

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



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
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, 2003, and December 31, 2002, and have issued our report thereon dated July 22, 2004. 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 Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the Village's management in a separate letter dated July 22, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

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 do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the Village's management in a separate letter dated July 22, 2004.

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

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

**Betty Montgomery**  
Auditor of State

July 22, 2004

**VILLAGE OF FREDERICKTOWN  
KNOX COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

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

**FINDING NUMBER 2003-001**

**Reportable Condition**

The Village should maintain an accounting system and accounting records sufficient to enable the Village to identify, record, and report its transactions.

The current accounting software used by the Village does not allow the fiscal officer to post individual encumbrances against expenditure accounts which should reduce the unencumbered balance each time an encumbrance is posted to the accounting system. Thus, Village management cannot monitor expenditures plus encumbrances against total appropriations throughout the year.

Appropriation accounts established by the Village should be listed separately. The Village should post to each appropriation account the amount appropriated in the annual appropriation resolution. Each encumbrance and expenditure charge against the appropriation account should be posted and subtracted from the appropriated balance producing a declining unencumbered balance.

The Village's current accounting software is not designed to meet all governmental accounting needs and it reduces management's ability to effectively monitor all Village transactions. Village officials should consider accounting software that is designed for governmental accounting and allows for the posting of all budgetary transactions so that appropriate monitoring can be accomplished by management.

VILLAGE OF FREDERICKTOWN  
KNOX COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2001-30642-002	Accounting software not suitable for governmental accounting.	No	Not corrected, see finding 2003-001



**Auditor of State  
Betty Montgomery**

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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  
SEPTEMBER 7, 2004**