



**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004-2003



**Auditor of State
Betty Montgomery**

FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY

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**Auditor of State
Betty Montgomery**

Fredericktown Recreation District
Knox County
P.O. Box 68
Fredericktown, Ohio 43019

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your District to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 2, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Fredericktown Recreation District
Knox County
P.O. Box 68
Fredericktown, Ohio 43019

To the Board of Directors:

We have audited the accompanying financial statements of Fredericktown Recreation District, Knox County, Ohio, (the District) as of and for the years ended December 31, 2004 and 2003. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the District to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the fund statements the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the District does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The District has elected not to reformat its statements. Since this District does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Fredericktown Recreation District, Knox County, Ohio, as of December 31, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the District to include Management's Discussion and Analysis for the year ended December 31, 2004. The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 2, 2005

**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, 2004**

	<u>Governmental Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$151,845	\$0	\$151,845
Intergovernmental Receipts	30,908	0	30,908
Investment Income	291	379	670
Gifts and Donations	2,201	85,224	87,425
Charges for Services	9,503	0	9,503
Other Receipts	1,319	0	1,319
	<u>196,067</u>	<u>85,603</u>	<u>281,670</u>
Cash Disbursements:			
Current:			
General Government	64,534	2,627	67,161
Parks and Recreation	98,133	0	98,133
Capital Outlay	24,452	14,850	39,302
	<u>187,119</u>	<u>17,477</u>	<u>204,596</u>
Total Receipts Over Disbursements	8,948	68,126	77,074
Fund Cash Balances, January 1	<u>37,472</u>	<u>194,075</u>	<u>231,547</u>
Fund Cash Balances, December 31	<u>\$46,420</u>	<u>\$262,201</u>	<u>\$308,621</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, 2003**

	<u>Governmental Fund Type</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Cash Receipts:			
Local Taxes	\$147,582	\$0	\$147,582
Intergovernmental Receipts	49,571	0	49,571
Investment Income	237	369	606
Gifts and Donations	432	89,616	90,048
Charges for Services	13,383	0	13,383
Other Receipts	33	0	33
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	211,238	89,985	301,223
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
General Government	65,104	4,959	70,063
Parks and Recreation	96,403	0	96,403
Capital Outlay	52,185	0	52,185
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	213,692	4,959	218,651
	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(2,454)	85,026	82,572
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	39,926	109,049	148,975
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$37,472</u>	<u>\$194,075</u>	<u>\$231,547</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, 2004 AND 2003**

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 Fredericktown Recreation District, Knox County, Ohio, (the District) as a body corporate and politic. 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 the Village of 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The District includes Investments as assets. Accordingly, the District does not record purchases of investments as disbursements or sales of investments 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 accounts for all financial resources except those required to be accounted for in another fund.

2. Capital Projects Fund

This fund accounts for receipts restricted for acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The District had the following significant Capital Projects Fund:

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Capital Projects Fund (Continued)

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

E. Budgetary Process

The Ohio Revised Code requires the Board of Directors to budget each fund 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. 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.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$285,453	\$228,627
STAR Ohio	23,168	2,920
Total deposits and investments	<u>\$308,621</u>	<u>\$231,547</u>

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the District.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$224,600	\$196,067	(\$28,533)
Capital Projects	194,074	85,603	(108,471)
Total	\$418,674	\$281,670	(\$137,004)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$233,734	\$187,119	\$46,615
Capital Projects	194,074	17,477	176,597
Total	\$427,808	\$204,596	\$223,212

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$237,200	\$211,238	(\$25,962)
Capital Projects	0	89,985	89,985
Total	\$237,200	\$301,223	\$64,023

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$269,060	\$213,692	\$55,368
Capital Projects	0	4,959	(4,959)
Total	\$269,060	\$218,651	\$50,409

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board of Park Commissioners adopts 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.

Public utilities are also taxed on personal and real property located within the District.

Property owners assess tangible personal property tax. They must file a list of this 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.

5. RETIREMENT SYSTEM

The District's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes retirement benefits, including postretirement healthcare, and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The District contributed an amount equal to 13.55 percent of participants' gross salaries. The District has paid all contributions required through December 31, 2004.

6. 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 INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Fredericktown Recreation District
Knox County
P.O. Box 68
Fredericktown, Ohio 43019

To the Board of Directors:

We have audited the financial statements of the Fredericktown Recreation District, Knox County, Ohio, (the District) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 2, 2005, wherein we noted the District followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2004-001.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the District's management dated September 2, 2005, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Directors. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 2, 2005

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

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. Certain weaknesses were noted pertaining to this account/activity:

1. A Steering Committee has been established to organize the activity related to the community center. The Committee appears to operate independent of the Board, especially as it relates to the collection of donations and gifts associated with fund raisers. Although the board does review and approve expenditures from the account, no policies or procedures have been adopted to define the functions of this Committee, namely, policies/procedures over the collection of funds and how accountability is to be maintained. Collections at fund raisers were handled by all committee members and held for several days to sometimes weeks before being deposited with the District Clerk.
2. Supporting documentation was not maintained for eight out of twenty-four expenditures incurred by the Community Center Fund in 2003 and 2004.

The above weaknesses increase the risk of errors and/or fraud over the Community Center Fund Activity. We recommend the following:

1. The District should adopt policies and procedures to address the collection of gifts and donations and subsequent payment to the District Clerk in a timely manner as required by Ohio Revised Code Section 9.38. Ohio Revised Code Section 9.38 generally requires that all public moneys received should be deposited with the clerk or bank on the business day next following the day of receipt. Those authorized to handle collections should be limited to a few individuals whose responsibilities should include maintaining source documentation to support collection totals, safeguarding funds from theft, reconciliations, a deposit summary, and sign off that the steering committee reviewed the activity for reasonableness. All individuals assigned a collection function should be covered by a surety bond.
2. All expenditures should be supported by a vendor invoice or other documentation which would verify the accuracy and the purpose of the expenditure. The Board should monitor these transactions to assure the proper documentation is presented for payment, and if not presented, the expenditures should not be approved.

**FREDERICKTOWN RECREATION DISTRICT
KNOX COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Reportable Condition: Internal control weaknesses over the community center account activity	No	Partially Corrected – Partially Repeated as Finding 2004-001



**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
OCTOBER 20, 2005**