



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF FRANKFORT
ROSS COUNTY**

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STATE OF OHIO
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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Frankfort
Ross County
P.O. Box 351
Frankfort, Ohio 45628

To the Village Council:

We have audited the accompanying financial statements of the Village of Frankfort, Ross County, Ohio (the Village) as of and for the years ended December 31, 2001 and December 31, 2000. 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 of Frankfort, Ross County, Ohio, as of December 31, 2001 and December 31, 2000, 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 May 17, 2002 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.

This report is intended solely for the information and use of the audit committee, management, 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

May 17, 2002

**VILLAGE OF FRANKFORT
ROSS COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	28,592	0	28,592
Intergovernmental Receipts	87,467	33,415	120,882
Earnings on Investments	36,298	3,851	40,149
Miscellaneous	30,167	1,074	31,241
	<u>182,524</u>	<u>38,340</u>	<u>220,864</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	10,690	0	10,690
Leisure Time Activities	2,704	1	2,705
Basic Utility Services	2,558	0	2,558
Transportation	2,763	28,102	30,865
General Government	54,485	0	54,485
Capital Outlay	9,421	6,595	16,016
	<u>82,621</u>	<u>34,698</u>	<u>117,319</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>99,903</u>	<u>3,642</u>	<u>103,545</u>
Other Financing Receipts and (Disbursements):			
Transfers-Out	(22,658)		(22,658)
	<u>(22,658)</u>	<u>0</u>	<u>(22,658)</u>
Total Other Financing Receipts/(Disbursements)			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	77,245	3,642	80,887
Fund Cash Balances, January 1	<u>532,191</u>	<u>81,747</u>	<u>613,938</u>
Fund Cash Balances, December 31	<u>\$609,436</u>	<u>\$85,389</u>	<u>\$694,825</u>

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	300,605	0	300,605
Miscellaneous	375	0	375
Total Operating Cash Receipts	300,980	0	300,980
Operating Cash Disbursements:			
Personal Services	76,589	0	76,589
Fringe Benefits	33,124	0	33,124
Contractual Services	67,651	0	67,651
Supplies and Materials	14,063	0	14,063
Capital Outlay	33,227	0	33,227
Total Operating Cash Disbursements	224,654	0	224,654
Operating Income/(Loss)	76,326	0	76,326
Non-Operating Cash Receipts:			
Transfer-In	22,658	0	22,658
Non-Operating Cash Disbursements:			
Debt Service	102,021	0	102,021
Net Receipts Over/(Under) Disbursements	(3,037)	0	(3,037)
Fund Cash Balances, January 1	589,403	35	589,438
Fund Cash Balances, December 31	\$586,366	\$35	\$586,401

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	28,758	0	28,758
Intergovernmental Receipts	71,707	35,261	106,968
Earnings on Investments	27,401	1,889	29,290
Miscellaneous	5,970	5,823	11,793
	<u>133,836</u>	<u>42,973</u>	<u>176,809</u>
Total Cash Receipts			
Cash Disbursements:			
Current:			
Security of Persons and Property	16,156	0	16,156
Leisure Time Activities	1,436	522	1,958
Basic Utility Services	3,606	0	3,606
Transportation	3,160	21,908	25,068
General Government	58,411	0	58,411
Capital Outlay	64,423	39,607	104,030
	<u>147,192</u>	<u>62,037</u>	<u>209,229</u>
Total Cash Disbursements			
Total Receipts Over/(Under) Disbursements	<u>(13,356)</u>	<u>(19,064)</u>	<u>(32,420)</u>
Other Financing Receipts and (Disbursements):			
Transfers-Out	<u>(2,734)</u>		<u>(2,734)</u>
Total Other Financing Receipts/(Disbursements)	<u>(2,734)</u>	0	<u>(2,734)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(16,090)	(19,064)	(35,154)
Fund Cash Balances, January 1	<u>548,281</u>	<u>100,811</u>	<u>649,092</u>
Fund Cash Balances, December 31	<u>\$532,191</u>	<u>\$81,747</u>	<u>\$613,938</u>

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	317,343	0	317,343
Miscellaneous	639	0	639
	<u>317,982</u>	<u>0</u>	<u>317,982</u>
Total Operating Cash Receipts	317,982	0	317,982
Operating Cash Disbursements:			
Personal Services	72,531	0	72,531
Fringe Benefits	28,545	0	28,545
Contractual Services	53,369	0	53,369
Supplies and Materials	13,871	0	13,871
Capital Outlay	6,358	0	6,358
	<u>174,674</u>	<u>0</u>	<u>174,674</u>
Total Operating Cash Disbursements	174,674	0	174,674
Operating Income/(Loss)	<u>143,308</u>	<u>0</u>	<u>143,308</u>
Non-Operating Cash Receipts:			
Transfer-In	2,734	0	2,734
Non-Operating Cash Disbursements:			
Debt Service	102,021	0	102,021
Net Receipts Over/(Under) Disbursements	44,021	0	44,021
Fund Cash Balances, January 1	<u>545,382</u>	<u>35</u>	<u>545,417</u>
Fund Cash Balances, December 31	<u><u>\$589,403</u></u>	<u><u>\$35</u></u>	<u><u>\$589,438</u></u>

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Frankfort, Ross County, (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 water and sewer utilities, and park operations. The Village contracts with the Ross County Sheriff's department to provide security of persons and property. The Village contracts with Concord Township, Ross County, to provide fire protection 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. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. Money market mutual funds are recorded at share values reported by the mutual fund.

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 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 Fund

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.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Fund (Continued)

Brad Lightle Memorial Park Fund -This fund receives donations and general fund transfers to fund construction of the Park.

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:

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.

Utility Debt Service Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

4. Fiduciary Funds (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

Unclaimed Monies Fund – This fund is used to account for monies due to others that have not been claimed.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except the Village's agency fund) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(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 also approve estimated

3. Encumbrances

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

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$203,022	\$141,568
Certificates of deposit	701,000	701,000
Total deposits	904,022	842,568
Money Market	377,204	360,808
Total investments	377,204	360,808
Total deposits and investments	\$1,281,226	\$1,203,376

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (3) collateralized by the financial institution's public entity deposit pool

Investments: Investments in money market mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2001 and December 31, 2000 follows:

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,416	\$182,524	\$63,108
Special Revenue	40,250	38,340	(1,910)
Enterprise	313,125	300,980	(12,145)
Total	<u>\$472,791</u>	<u>\$521,844</u>	<u>\$49,053</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$103,785	\$82,621	\$21,164
Special Revenue	44,329	34,698	9,631
Enterprise	331,766	326,675	5,091
Total	<u>\$479,880</u>	<u>\$443,994</u>	<u>\$35,886</u>

2000 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,688	\$131,102	\$414
Special Revenue	42,835	42,973	138
Enterprise	314,650	320,716	6,066
Total	<u>\$488,173</u>	<u>\$494,791</u>	<u>\$6,618</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Budgeted Expenditures	Actual Expenditures	Variance
General	\$151,757	\$147,192	\$4,565
Special Revenue	64,500	62,037	2,463
Enterprise	278,166	276,695	1,471
Total	<u>\$494,423</u>	<u>\$485,924</u>	<u>\$8,499</u>

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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. DEBT

Debt outstanding at December 31, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$1,047,202	4.56%

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA approved \$1,329,301 in loans to the Village in 1996 for this project. The loans are being repaid in semiannual installments of \$51,011, including interest, over 20 years. The loan is collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	
2002	\$102,021
2003	102,021
2004	102,021
2005	102,021
2006	102,021
2007-2011	510,105
2012-2015	408,085
Total	\$1,428,295

6. RETIREMENT SYSTEMS

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a 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.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

6. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and from January 1, 2000 through June 30, 2000. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. The Village has paid all contributions required through December 31, 2001.

7. RISK POOL MEMEBERSHIP

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles. As of the date of this report, the 2000 audited financial statements are the most recent audited statements released.

Casualty excess-of-loss contracts at December 31, 2000 and 1999 generally protect against individual losses over \$150,000 (\$100,000 for policies issued after March 31, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool's audited financial statements (the most current information available) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings (deficit) at December 31:

	<u>2000</u>	<u>1999</u>
Assets	\$2,958,827	\$4,151,450
Liabilities	<u>3,863,373</u>	<u>3,461,914</u>
Retained (deficit) earnings	<u>(\$904,546)</u>	<u>\$689,536</u>



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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

Village of Frankfort
Ross County
P.O. Box 351

To the Village Council:

We have audited the accompanying financial statements of the Village of Frankfort, Ross County, Ohio (the Village) as of and for the years ended December 31, 2001 and December 31, 2000, and have issued our report thereon dated May 17, 2002. 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated May 17, 2002.

Village of Frankfort
Ross County
Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the audit committee, management and 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

JIM PETRO
Auditor of State

May 17, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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VILLAGE OF FRANKFORT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 18, 2002**