



**Auditor of State  
Betty Montgomery**



VILLAGE OF FRANKFORT  
ROSS COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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, 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. The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 generally accepted accounting principles.

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, 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 2, 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended solely for the information and use of the audit committee, 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 2, 2004

**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, 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	\$31,316	\$0	\$31,316
Intergovernmental Receipts	67,751	37,603	105,354
Earnings on Investments	34,304	2,738	37,042
Miscellaneous	6,041	748	6,789
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	139,412	41,089	180,501
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	18,992	0	18,992
Leisure Time Activities	1,965	0	1,965
Basic Utility Services	9,385	0	9,385
Transportation	4,375	17,193	21,568
General Government	49,545	0	49,545
Capital Outlay	2,181	1,778	3,959
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	86,443	18,971	105,414
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	52,969	22,118	75,087
	<hr/>	<hr/>	<hr/>
<b>Other Financing (Disbursements):</b>			
Transfers-Out	(10,044)	0	(10,044)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	42,925	22,118	65,043
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	525,548	121,871	647,419
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$568,473</u></b>	<b><u>\$143,989</u></b>	<b><u>\$712,462</u></b>

*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, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$316,417	\$0	\$316,417
Total Operating Cash Receipts	<u>316,417</u>	<u>0</u>	<u>316,417</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	89,023	0	89,023
Fringe Benefits	40,726	0	40,726
Supplies and Materials	9,050	0	9,050
Other	2,850	0	2,850
Capital Outlay	792,096	0	792,096
Total Operating Cash Disbursements	<u>933,745</u>	<u>0</u>	<u>933,745</u>
Operating (Loss)	<u>(617,328)</u>	<u>0</u>	<u>(617,328)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	321,419	0	321,419
Proceeds from Notes	375,000	0	375,000
Other Non-Operating Receipts	2,186	0	2,186
Total Non-Operating Cash Receipts	<u>698,605</u>	<u>0</u>	<u>698,605</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service- Principal	63,202	0	63,202
Debt Service- Interest	48,863	0	48,863
Total Non-Operating Cash Disbursements	<u>112,065</u>	<u>0</u>	<u>112,065</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(30,788)	0	(30,788)
Transfers-In	10,044	0	10,044
Net Receipts (Under) Disbursements	(20,744)	0	(20,744)
Fund Cash Balances, January 1	736,925	35	736,960
<b>Fund Cash Balances, December 31</b>	<b><u>\$716,181</u></b>	<b><u>\$35</u></b>	<b><u>\$716,216</u></b>

*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, 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	\$32,737	\$0	\$32,737
Intergovernmental Receipts	65,125	34,510	99,635
Earnings on Investments	60,803	4,254	65,057
Miscellaneous	3,967	718	4,685
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	162,632	39,482	202,114
	<hr/>	<hr/>	<hr/>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	10,938	0	10,938
Leisure Time Activities	2,333	0	2,333
Basic Utility Services	2,210	0	2,210
Transportation	7,730	3,000	10,730
General Government	60,887	0	60,887
Capital Outlay	4,422	0	4,422
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	88,520	3,000	91,520
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over Cash Disbursements	74,112	36,482	110,594
	<hr/>	<hr/>	<hr/>
<b>Other Financing (Disbursements):</b>			
Transfers-Out	(158,000)	0	(158,000)
	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(83,888)	36,482	(47,406)
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	609,436	85,389	694,825
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$525,548</b>	<b>\$121,871</b>	<b>\$647,419</b>
	<hr/>	<hr/>	<hr/>
Reserves for Encumbrances, December 31	\$0	\$0	\$0
	<hr/>	<hr/>	<hr/>

*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, 2002**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$318,807	\$0	\$318,807
Miscellaneous	24	0	24
	<u>318,831</u>	<u>0</u>	<u>318,831</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	79,384	0	79,384
Fringe Benefits	38,145	0	38,145
Contractual Services	90,707	0	90,707
Supplies and Materials	13,302	0	13,302
Other	2,800	0	2,800
Capital Outlay	2,695	0	2,695
	<u>227,033</u>	<u>0</u>	<u>227,033</u>
Operating Income	<u>91,798</u>	<u>0</u>	<u>91,798</u>
<b>Non-Operating Cash Receipts:</b>			
Earnings on the Investments	<u>2,782</u>	<u>0</u>	<u>2,782</u>
<b>Non-Operating Cash Disbursements:</b>			
Debt Service- Principal	54,887	0	54,887
Debt Service- Interest	47,134	0	47,134
	<u>102,021</u>	<u>0</u>	<u>102,021</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(7,441)	0	(7,441)
Transfers-In	<u>158,000</u>	<u>0</u>	<u>158,000</u>
Net Receipts Over Disbursements	150,559	0	150,559
Fund Cash Balances, January 1	<u>586,366</u>	<u>35</u>	<u>586,401</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$736,925</u></b>	<b><u>\$35</u></b>	<b><u>\$736,960</u></b>

*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, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Frankfort, Ross 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 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 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 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:

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

**VILLAGE OF FRANKFORT  
ROSS COUNTY**

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

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

**D. Fund Accounting (Continued)**

**2. Special Revenue Fund (Continued)**

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

*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.

*Sewer/Water Debt Service Fund-*This fund receives transfer from General Fund annually to fund debt incurred for water plant rehabilitation.

**4. Fiduciary Fund (Agency Fund)**

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

*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 certain agency funds) 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.

**VILLAGE OF FRANKFORT  
ROSS COUNTY**

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

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

**E. Budgetary Process (Continued)**

**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 2003 and 2002 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:

	2003	2002
Demand deposits	\$293,648	\$280,535
Certificates of deposit	140,000	140,000
Total deposits	433,648	420,535
Money Market	995,030	963,844
Total Investments	995,030	963,844
Total deposits and investments	\$1,428,678	\$1,384,379

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or 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, 2003 AND 2002  
(Continued)**

**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	\$131,518	\$139,412	\$7,894
Special Revenue	36,366	41,089	4,723
Enterprise	1,226,628	1,025,066	(201,562)
Total	\$1,394,512	\$1,205,567	(\$188,945)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$131,518	\$96,487	\$35,031
Special Revenue	36,366	18,971	17,395
Enterprise	1,226,628	1,045,810	180,818
Total	\$1,394,512	\$1,161,268	\$233,244

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$135,113	\$162,632	\$27,519
Special Revenue	32,000	39,482	7,482
Enterprise	459,750	479,613	19,863
Total	\$626,863	\$681,727	\$54,864

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$321,730	\$246,520	\$75,210
Special Revenue	47,019	3,000	44,019
Enterprise	666,929	329,054	337,875
Total	\$1,035,678	\$578,574	\$457,104

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding 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.

**VILLAGE OF FRANKFORT  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(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. DEBT**

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$934,895	4.56%
Ohio Public Works Commission (2003)	250,000	0.00%
Bank Note (2003)	119,317	3.75%
Total	<u>\$1,304,212</u>	

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 up to \$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.

The Ohio Public Works Commission (OPWC) loan relates to the plumbing and electrical rehabilitation and upgrade of the Village's water treatment plant. The loan is being repaid in semiannual installments of \$6,250. This loan is a non interest loan collateralized by water and sewer receipts. This Loan was issued for \$250,000 during 2003.

The Bank Note is collateralized by the Village's taxing authority and is repayable over 60 months at a rate of 3.75%. This Note is for improvement to the Village water treatment plant, and will be repaid from transfers from the General fund. This Loan was issued for \$125,000 during 2003.

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

	<u>OWDA Loan</u>	<u>OPWC Loan</u>	<u>Bank Note</u>
Year ending December 31:			
2004	\$102,021	\$12,500	\$10,957
2005	102,021	12,500	10,957
2006	102,021	12,500	10,957
2007	102,021	12,500	10,957
2008	102,021	12,500	91,935
2009 – 2013	510,105	62,500	0
2014-2018	204,043	62,500	0
2019-2023	0	62,500	0
Total	<u>\$1,224,253</u>	<u>\$250,000</u>	<u>\$135,763</u>

**VILLAGE OF FRANKFORT  
ROSS COUNTY**

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

**6. RETIREMENT SYSTEM**

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OPERS is a cost-sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

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

**7. RISK POOL MEMBERSHIP**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Villages can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Village.



**VILLAGE OF FRANKFORT  
ROSS COUNTY**

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

**7. RISK POOL MEMBERSHIP (Continued)**

Financial Position

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

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

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**Auditor of State  
Betty Montgomery**

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

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, 2003, and December 31, 2002, and have issued our report thereon dated July 2, 2004, wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 are required to be reported under *Government Auditing Standards*. However, we noted an instance of noncompliance that does not require inclusion in this report, that we have reported to management of the Village in a separate letter dated July 2, 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. 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.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

This report is intended solely for the information and use of the audit committee, 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 2, 2004



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
DECEMBER 28, 2004**