



Dave Yost • Auditor of State

VILLAGE OF FRANKFORT
ROSS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Frankfort
Ross County
20 North Main Street
Frankfort, Ohio 45628

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of Frankfort, Ross County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Frankfort, Ross County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 21, 2016

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$49,416	\$0	\$49,416
Intergovernmental	33,659	45,032	78,691
Fines, Licenses and Permits	22,384	0	22,384
Earnings on Investments	442	197	639
Miscellaneous	0	2,570	2,570
<i>Total Cash Receipts</i>	<u>105,901</u>	<u>47,799</u>	<u>153,700</u>
Cash Disbursements			
Current:			
Security of Persons and Property	18,211	0	18,211
Leisure Time Activities	4,819	0	4,819
Basic Utility Services	16,691	0	16,691
Transportation	0	26,076	26,076
General Government	68,731	0	68,731
Capital Outlay	0	2,500	2,500
<i>Total Cash Disbursements</i>	<u>108,452</u>	<u>28,576</u>	<u>137,028</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,551)</u>	<u>19,223</u>	<u>16,672</u>
Other Financing Receipts (Disbursements)			
Transfers Out	(73,343)	0	(73,343)
Other Financing Sources	5,392	0	5,392
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(67,951)</u>	<u>0</u>	<u>(67,951)</u>
<i>Net Change in Fund Cash Balances</i>	(70,502)	19,223	(51,279)
<i>Fund Cash Balances, January 1</i>	<u>273,929</u>	<u>429,932</u>	<u>703,861</u>
Fund Cash Balances, December 31			
Nonspendable	0	0	0
Restricted	0	443,883	443,883
Committed	0	4,576	4,576
Assigned	167,084	0	167,084
Unassigned (Deficit)	36,343	696	37,039
<i>Fund Cash Balances, December 31</i>	<u>\$203,427</u>	<u>\$449,155</u>	<u>\$652,582</u>

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$435,440
<i>Total Operating Cash Receipts</i>	435,440
Operating Cash Disbursements	
Personal Services	112,294
Employee Fringe Benefits	27,265
Contractual Services	138,424
Supplies and Materials	30,222
Other	2,526
<i>Total Operating Cash Disbursements</i>	310,731
<i>Operating Income (Loss)</i>	124,709
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	61,946
Miscellaneous Receipts	1,058
Capital Outlay	(11,722)
Principal Retirement	(143,400)
Interest and Other Fiscal Charges	(31,957)
<i>Total Non-Operating Receipts (Disbursements)</i>	(124,075)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	634
Transfers In	73,343
<i>Net Change in Fund Cash Balances</i>	73,977
<i>Fund Cash Balances, January 1</i>	646,365
<i>Fund Cash Balances, December 31</i>	\$720,342

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$48,335	\$0	\$48,335
Intergovernmental	31,654	44,668	76,322
Fines, Licenses and Permits	22,806	0	22,806
Earnings on Investments	478	181	659
Miscellaneous	0	50	50
<i>Total Cash Receipts</i>	<u>103,273</u>	<u>44,899</u>	<u>148,172</u>
Cash Disbursements			
Current:			
Security of Persons and Property	17,867		17,867
Leisure Time Activities	4,296	0	4,296
Basic Utility Services	17,006	0	17,006
Transportation	57	9,872	9,929
General Government	87,009	0	87,009
Capital Outlay	67,076	844	67,920
<i>Total Cash Disbursements</i>	<u>193,311</u>	<u>10,716</u>	<u>204,027</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(90,038)</u>	<u>34,183</u>	<u>(55,855)</u>
Other Financing Receipts (Disbursements)			
Transfers Out	(64,874)	0	(64,874)
Other Financing Sources	9,452	0	9,452
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(55,422)</u>	<u>0</u>	<u>(55,422)</u>
<i>Net Change in Fund Cash Balances</i>	(145,460)	34,183	(111,277)
<i>Fund Cash Balances, January 1</i>	<u>419,389</u>	<u>395,749</u>	<u>815,138</u>
Fund Cash Balances, December 31			
Restricted	0	425,426	425,426
Committed	0	4,506	4,506
Assigned	154,834	0	154,834
Unassigned (Deficit)	119,095	0	119,095
<i>Fund Cash Balances, December 31</i>	<u>\$273,929</u>	<u>\$429,932</u>	<u>\$703,861</u>

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types
	Enterprise
Operating Cash Receipts	
Charges for Services	\$426,893
<i>Total Operating Cash Receipts</i>	426,893
Operating Cash Disbursements	
Personal Services	106,493
Employee Fringe Benefits	29,545
Contractual Services	160,607
Supplies and Materials	28,487
Other	2,938
<i>Total Operating Cash Disbursements</i>	328,070
<i>Operating Income (Loss)</i>	98,823
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	83,161
Miscellaneous Receipts	3,724
Capital Outlay	(39,596)
Principal Retirement	(130,420)
Interest and Other Fiscal Charges	(36,475)
<i>Total Non-Operating Receipts (Disbursements)</i>	(119,606)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	(20,783)
Transfers In	64,874
<i>Net Change in Fund Cash Balances</i>	44,091
<i>Fund Cash Balances, January 1</i>	602,274
<i>Fund Cash Balances, December 31</i>	\$646,365

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, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Frankfort, Ross County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities 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 receive fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund received 10% of charge of water receipts being saved toward a Sewer Project.

Waterline Replacement Fund – This fund accounts for monies, from state and federal resources to be used to improve and replace waterlines in the Village.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

VILLAGE OF FRANKFORT
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance

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

1. **Nonspendable**

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

2. **Restricted**

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

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

G. Property, Plant, and Equipment

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand deposits	\$642,055	\$619,656
Other time deposits (savings and NOW accounts)	730,869	730,570
Total deposits	\$1,372,924	\$1,350,226

Deposits: Deposits are 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, 2015 and December 31, 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$111,122	\$111,293	\$171
Special Revenue	98,400	47,799	(50,601)
Enterprise	478,503	571,787	93,284
Total	\$688,025	\$730,879	\$42,854

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$265,956	\$181,795	\$84,161
Special Revenue	99,897	28,576	71,321
Enterprise	688,900	497,810	191,090
Total	\$1,054,753	\$708,181	\$346,572

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,504	\$112,725	\$221
Special Revenue	45,700	44,899	(801)
Enterprise	582,524	578,652	(3,872)
Total	\$740,728	\$736,276	(\$4,452)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$402,483	\$258,185	\$144,298
Special Revenue	92,797	10,716	82,081
Enterprise	747,921	534,561	213,360
Total	\$1,243,201	\$803,462	\$439,739

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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, 2015 was as follows:

	Principal	Interest Rate
OWDA Sewer System Planning	\$136,624	0%
OPWC Water -Treatment Plant	\$106,250	0%
OPWC Waterline Replacement Phase 1	\$216,667	0%
Water System Mortgage Revenue Bonds	\$1,014,100	2.75%
Total	\$1,473,641	

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

5. DEBT (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$180,056 in loans to the Village for this project. The Village will repay the loans in semiannual installments over 5 years. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. No amortization schedule was available for scheduling. Not included in schedule below.

The Ohio Public Works Commission (OPWC) loan relates to a water and sewer plant expansion project to replace water lines. The Village will repay the loans in semiannual interest free installment of \$8,333. Village has agreed to set utility rates to cover debt requirements.

The Ohio Public Works Commission (OPWC) loan relates to a water and sewer plant expansion project to replace water lines. The Village will repay the loans in semiannual interest free installment of \$6,250. The Village transfers General Fund monies to repay debt.

The Village issued \$1,060,000 in Water System Mortgage Revenue bonds at 2.75%, to pay off prior OWDA debt. The village will repay the bonds in annual installments over 40 years. Water receipts collateralize the loan. The village has agreed to set utility rate sufficient to cover debt service requirements.

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

Year ending December 31:	OPWC Loan	Mortgage Revenue Bonds	Total
2016	\$20,833	\$44,064	\$64,897
2017	20,833	44,045	64,878
2018	20,883	43,989	64,872
2019	20,883	44,021	64,904
2020	20,833	44,111	64,944
2021-2025	97,916	220,164	318,080
2026-2030	41,667	220,179	261,846
2031-2035	41,667	220,136	261,803
2036-2040	41,667	220,263	261,930
2041-2045	41,666	220,102	261,768
2046-2050		220,196	220,196
2051-2052		88,004	88,004
Total	<u>\$368,848</u>	<u>\$1,629,274</u>	<u>\$1,998,122</u>

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

The Village is a member of 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. York Risk Pooling Services, Inc. (YORK), functions as administrator of PEP and provides underwriting, claims loss control, risk management, and reinsurance services for PEP. PEP is a member of American Public Entity Excess Pool (APEEP), which is also administered by YORK. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 casualty claims and \$100,000 for property claims.

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 respective PEP member.

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, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Cash and investments	\$38,307,667	\$35,402,177
Actuarial liabilities	\$12,759,127	\$12,363,257

8. SUBSEQUENT EVENTS

In October 2016, Village applied and received the Nature Works Grant from the Ohio Department of Nature Resources, in the amount of \$30,000. The village plans to use these monies for the completion of the expansion of the Brad Lightle Park.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Frankfort
Ross County
20 North Main Street
Frankfort, Ohio 45628

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Frankfort, Ross County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 21, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 and 2015-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

December 21, 2016

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following conditions related to the Village's accounting system and financial reporting:

- Debt proceeds in the amount of \$79,979 in 2014 and \$56,260 in 2015 were classified as Other Financing Sources in the Waterline Replacement fund;
- Debt proceeds and Contractual Services disbursement were not recorded in the Waterline Replacement Fund in the amount of \$3,182 in 2014 and \$5,686 in 2015;
- Contractual Services disbursements were incorrectly posted to the General fund instead of the Water Line Replacement fund in the amount of \$13,750 in 2014;
- Contractual Services disbursements were incorrectly posted to the Sewer fund instead of the Water Line Replacement fund in the amount of \$1,660 in 2015;
- Contractual Services disbursements were incorrectly posted to the Sewer fund instead of the Water Line Replacement fund in the amount of \$29,475 in 2014;
- Intergovernmental receipts in the amount of \$696 were incorrectly posted to the General fund instead of the Street Construction, Maintenance and Repair fund in 2015.
- The Village incorrectly classified \$9,850 of committed Special Revenue fund balance as assigned fund balance at December 31, 2014 and 2015.
- The Village incorrectly classified committed Special Revenue fund balance as assigned fund balance in the amounts of \$4,506 and \$4,576 at December 31, 2014 and 2015, respectively.
- The Village incorrectly classified assigned General fund balance as unassigned fund balance in the amounts of \$154,834 and \$166,610 at December 31, 2014 and 2015.

The Village corrected the financial statements and accounting records, where appropriate.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Village.

**FINDING NUMBER 2015-001
(Continued)**

We recommend that the Village accurately record financial transactions.

Officials' Response:

We did not receive a response from the village for this issue.

FINDING NUMBER 2015-002

Material Weakness/Noncompliance

Ohio Revised Code, Section 735.273, states, in part, that the rates for service and charges for municipally owned utilities shall be determined by the legislative authority of the Village. The Village established water and sewer usage rates in Village Ordinance 02-009; however, we noted the following conditions for the period under audit:

- Customers using less than 1,000 gallons were assessed a minimum fee of \$5; however, Ordinance 02-009 does not set a minimum fee.
- The Village used incorrect billing rates in 46% of the sixty-eight (68) 2014 customer bills tested and 43% of the seventy (70) 2015 bills tested. The incorrect billing rates resulted in excess charges of \$57 for the \$10,047 2014 customer bills tested and excess charges of \$62 for the \$5,937 2015 customer bills tested.
- The Village had no policy regarding the timing of penalties for delinquent accounts; however, in 72% of the seventy-eight (78) bills tested which should have had penalties, penalties were either not posted timely or were not posted at all, with some accounts being greater than sixty days delinquent. Five accounts tested were outstanding greater than one year.
- Council did not approve billing adjustments.
- The Village did not have a formal policy and related procedures to address identification, authorization, recording and documentation of adjustments to water and sewer customer accounts.
- The Village did not maintain supporting documentation for certain billing adjustments.

Failure to charge correct rates, follow Village policy and accurately prepare the accounting records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity and make informed financial decisions, and 3) increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

We recommend the following:

- The Village should ensure that water and sewer customers are charged in accordance with Village ordinances.
- The Village utility billing computer system should limit the access to data rates to only those individuals with the assigned responsibility of changing rates. The Village should also maintain records of changes in data rates.

**FINDING NUMBER 2015-002
(Continued)**

- Village should establish formal policies and related procedures to address identification, authorization, recording and documentation of adjustments to water and sewer customer accounts, and timing of penalties for delinquent accounts.
- The Village Council should review and approve adjustments to be made to utility client's accounts by the Village Administrator.
- The Village should maintain all documentation of approval and calculation of adjustments to customers' accounts.

Officials' Response:

We did not receive a response from the village for this issue.

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VILLAGE OF FRANKFORT
ROSS COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014

Finding Number	Finding Summary	Status	Additional Information
2013-001	Incorrect fund balance classifications.	Not Corrected.	Repeated as part of 2015-001

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Dave Yost • Auditor of State

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 29, 2016