



Mary Taylor, CPA
Auditor of State

**VILLAGE OF FRANKFORT
ROSS COUNTY**

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VILLAGE OF FRANKFORT
ROSS COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Frankfort
Ross County
20 N. Main Street
P.O. Box 351
Frankfort, Ohio 45628

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Frankfort, Ross County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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. The Village processes its financial transactions with 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis 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 respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Frankfort, Ross County, Ohio, as of December 31, 2007 and 2006, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General and Street Construction, Maintenance and Repair Funds; thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

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The Village did not present Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2008, 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. 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.

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

Mary Taylor, CPA
Auditor of State

September 10, 2008

**VILLAGE OF FRANKFORT
ROSS COUNTY**

***Statement of Net Assets - Modified Cash Basis
December 31, 2007***

	Governmental Business - Type		
	Activities	Activities	Total
Assets			
Cash	\$618,286	\$476,688	\$1,094,974
Investments	75,000	65,000	140,000
<i>Total Assets</i>	<u>\$693,286</u>	<u>\$541,688</u>	<u>\$1,234,974</u>
Net Assets			
Restricted for:			
Other Purposes	\$241,201	\$0	\$241,201
Unrestricted	452,086	541,688	993,774
<i>Total Net Assets</i>	<u>\$693,286</u>	<u>\$541,688</u>	<u>\$1,234,974</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2007**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Security of Persons and Property	\$28,210	\$0	\$0	\$28,210	\$0	\$28,210
Leisure Time Activities	3,340	0	0	3,340	0	3,340
Basic Utility Services	18,341	0	0	18,341	0	18,341
Transportation	3,375	0	53,466	(50,091)	0	(50,091)
General Government	76,729	0	0	76,729	0	76,729
Capital Outlay	21,366	0	0	21,366	0	21,366
<i>Total Governmental Activities</i>	<u>151,361</u>	<u>0</u>	<u>53,466</u>	<u>97,895</u>	<u>0</u>	<u>97,895</u>
Business Type Activities						
Water	226,759	143,927	0	0	82,832	82,832
Sewer	250,947	226,811	0	0	24,136	24,136
<i>Total Business Type Activities</i>	<u>477,706</u>	<u>370,738</u>	<u>0</u>	<u>0</u>	<u>106,968</u>	<u>106,968</u>
<i>Total Primary Government</i>	<u>\$629,067</u>	<u>\$370,738</u>	<u>\$53,466</u>	<u>97,895</u>	<u>106,968</u>	<u>204,863</u>
General Receipts						
Property Taxes - General Purpose				47,526	0	47,526
Grants and Entitlements not Restricted to Specific Programs				66,380	0	66,380
Other Debt Proceeds				0	66,935	66,935
Earnings on Investments				37,216	0	37,216
Miscellaneous				6,938	6,656	13,594
<i>Total General Receipts</i>				<u>158,060</u>	<u>73,591</u>	<u>231,651</u>
Transfers				(23,457)	23,457	(0)
<i>Total General Receipts and Transfers</i>				<u>134,602</u>	<u>97,048</u>	<u>231,650</u>
Change in Net Assets				36,707	(9,920)	26,787
<i>Net Assets Beginning of Year</i>				<u>656,579</u>	<u>551,608</u>	<u>1,208,187</u>
<i>Net Assets End of Year</i>				<u>\$693,286</u>	<u>\$541,688</u>	<u>\$1,234,975</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007**

	GENERAL	STREET CONST. MAINT.REP.	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets				
Cash	\$377,085	\$229,803	\$11,398	\$618,286
Investments	75,000	0	0	75,000
<i>Total Assets</i>	<u>\$452,085</u>	<u>\$229,803</u>	<u>\$11,398</u>	<u>\$693,286</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$452,085	\$0	\$0	\$452,085
Special Revenue Funds	0	229,803	11,398	241,201
<i>Total Fund Balances</i>	<u>\$452,085</u>	<u>\$229,803</u>	<u>\$11,398</u>	<u>\$693,286</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007**

	GENERAL	STREET CONST. MAINT.REP.	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts				
Property and Other Local Taxes	\$47,526	\$0	\$0	\$47,526
Intergovernmental	66,379	46,321	0	112,701
Earnings on Investments	37,216	7,145	0	44,361
Miscellaneous	0	0	455	455
Total Receipts	151,120	53,467	455	205,043
Disbursements				
Current:				
Security of Persons and Property	28,210	0	0	28,210
Leisure Time Activities	3,340	0	0	3,340
Basic Utility Services	18,341	0	0	18,341
Transportation	500	2,876	0	3,376
General Government	76,728	0	0	76,728
Capital Outlay	21,314	52	0	21,366
Total Disbursements	148,433	2,928	0	151,361
Excess of Receipts Over Disbursements	2,687	50,539	455	53,682
Other Financing Sources (Uses)				
Transfers Out	(23,457)	0	0	(23,457)
Other Financing Sources	6,483	0	0	6,483
Total Other Financing Sources (Uses)	(16,974)	0	0	(16,974)
Net Change in Fund Balances	(14,287)	50,539	455	36,708
Fund Balances Beginning of Year	466,372	179,264	10,943	656,579
Fund Balances End of Year	\$452,085	\$229,803	\$11,398	\$693,286

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$31,110	\$31,110	\$47,526	\$16,416
Intergovernmental	55,998	55,998	66,379	10,381
Earnings on Investments	23,375	23,375	37,216	13,841
<i>Total receipts</i>	<u>110,483</u>	<u>110,483</u>	<u>151,120</u>	<u>40,638</u>
Disbursements				
Current:				
Security of Persons and Property	36,700	37,340	28,210	9,130
Leisure Time Activities	5,300	5,300	3,340	1,960
Basic Utility Services	26,830	26,841	18,341	8,500
Transportation	11,000	1,000	500	500
General Government	100,953	101,312	76,728	24,584
Capital Outlay	19,100	28,310	21,314	6,996
<i>Total Disbursements</i>	<u>199,883</u>	<u>200,103</u>	<u>148,433</u>	<u>51,670</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(89,400)</u>	<u>(89,620)</u>	<u>2,687</u>	<u>(11,032)</u>
Other Financing Sources (Uses)				
Transfers Out	(24,400)	(24,180)	(23,457)	723
Other Financing Sources	3,625	3,625	6,483	2,858
<i>Total Other Financing Sources (Uses)</i>	<u>(20,775)</u>	<u>(20,555)</u>	<u>(16,974)</u>	<u>3,581</u>
<i>Net Change in Fund Balance</i>	(110,175)	(110,175)	(14,287)	(7,451)
<i>Fund Balance Beginning of Year</i>	<u>466,372</u>	<u>466,372</u>	<u>466,372</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$356,197</u>	<u>\$356,197</u>	<u>\$452,085</u>	<u>\$95,889</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction Maintenance and Repair Fund
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$40,000	\$40,000	\$46,321	\$10,487
Earnings on Investments	3,800	3,800	7,145	2,927
<i>Total receipts</i>	<u>43,800</u>	<u>43,800</u>	<u>53,467</u>	<u>13,414</u>
Disbursements				
Current:				
Transportation	55,843	55,843	2,876	3,760
Capital Outlay	1,600	1,600	52	2,000
<i>Total Disbursements</i>	<u>57,443</u>	<u>57,443</u>	<u>2,928</u>	<u>5,760</u>
<i>Net Change in Fund Balance</i>	(13,643)	(13,643)	50,539	19,173
<i>Fund Balance Beginning of Year</i>	<u>179,264</u>	<u>179,264</u>	<u>179,264</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$165,621</u></u>	<u><u>\$165,621</u></u>	<u><u>\$229,803</u></u>	<u><u>\$19,173</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

***Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2007***

	WATER OPERATING	SEWER OPERATING	TOTAL ENTERPRISE FUNDS
Assets			
Cash	\$215,147	\$261,541	\$476,688
Investments	25,000	40,000	65,000
Total Assets	\$240,147	\$301,541	\$541,688
Net Assets			
Restricted for:			
Unrestricted	\$240,147	\$301,541	\$541,688
<i>Total Net Assets</i>	\$240,147	\$301,541	\$541,688

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2007**

	WATER OPERATING TOTAL	SEWER OPERATING TOTAL	TOTAL ENTERPRISE FUNDS
Operating Receipts			
Charges for Services	\$143,927	\$226,811	\$370,738
<i>Total Operating Receipts</i>	143,927	226,811	370,738
Operating Disbursements			
Personal Services	55,569	64,926	120,496
Employee Fringe Benefits	17,983	19,428	37,411
Contractual Services	114,017	47,848	161,866
Supplies and Materials	9,236	4,021	13,257
Other	3,050	0	3,050
<i>Total Operating Disbursements</i>	199,856	136,223	336,080
<i>Operating Income (Loss)</i>	(55,929)	90,588	34,658
Non-Operating Receipts (Disbursements)			
Sale of Bonds	66,935	0	66,935
Miscellaneous Receipts	2,970	3,686	6,656
Capital Outlay	(3,446)	(12,702)	(16,148)
Principal Payments	(19,822)	(68,766)	(88,587)
Interest and Fiscal Charges	(3,636)	(33,255)	(36,891)
<i>Total Non-Operating Receipts (Disbursements)</i>	43,002	(111,037)	(68,035)
<i>Income (Loss) before Transfers</i>	(12,927)	(20,450)	(33,377)
Transfers In	23,457	0	23,457
<i>Change in Net Assets</i>	10,530	(20,450)	(9,920)
<i>Net Assets Beginning of Year</i>	229,617	321,991	551,608
<i>Net Assets End of Year</i>	\$240,147	\$301,541	\$541,688

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Net Assets - Modified Cash Basis
December 31, 2006**

	Governmental Business - Type		
	Activities	Activities	Total
Assets			
Cash	\$581,579	\$486,608	\$1,068,187
Investments	75,000	65,000	140,000
<i>Total Assets</i>	<u>\$656,579</u>	<u>\$551,608</u>	<u>\$1,208,187</u>
 Net Assets			
Restricted for:			
Debt Service	\$0	\$9,765	\$9,765
Other Purposes	190,207	0	190,207
Unrestricted	466,372	541,843	1,008,215
<i>Total Net Assets</i>	<u>\$656,579</u>	<u>\$551,608</u>	<u>\$1,208,187</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		Total
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions and Interest	Governmental Activities	Business-Type Activities	
Governmental Activities						
Security of Persons and Property	\$10,344	\$0	\$0	(\$10,344)	\$0	(\$10,344)
Leisure Time Activities	4,236	0	0	(4,236)	0	(4,236)
Basic Utility Services	9,610	0	0	(9,610)	0	(9,610)
Transportation	71,732	0	52,414	(19,319)	0	(19,319)
General Government	70,082	511	0	(69,571)	0	(69,571)
Capital Outlay	11,405	0	0	(11,405)	0	(11,405)
Other	27	0	0	(27)	0	(27)
<i>Total Governmental Activities</i>	<u>177,437</u>	<u>511</u>	<u>52,414</u>	<u>(124,512)</u>	<u>0</u>	<u>(124,512)</u>
Business Type Activities						
Water	170,805	131,290	0	0	(39,515)	(39,515)
Sewer	217,820	214,974	0	0	(2,846)	(2,846)
<i>Total Business Type Activities</i>	<u>388,625</u>	<u>346,264</u>	<u>0</u>	<u>0</u>	<u>(42,361)</u>	<u>(42,361)</u>
<i>Total Primary Government</i>	<u>566,062</u>	<u>346,775</u>	<u>52,414</u>	<u>(124,512)</u>	<u>(42,361)</u>	<u>(166,873)</u>
General Receipts						
Property Taxes - General Purpose				31,763	0	31,763
Grants and Entitlements not Restricted to Specific Programs				54,975	0	54,975
Sale of Fixed Assets				4,235	0	4,235
Earnings on Investments				35,739	0	35,739
Miscellaneous				5,270	1,773	7,043
<i>Total General Receipts</i>				<u>131,982</u>	<u>1,773</u>	<u>133,755</u>
Transfers				(23,493)	23,493	0
<i>Total General Receipts and Transfers</i>				<u>108,489</u>	<u>25,266</u>	<u>133,755</u>
Change in Net Assets				(16,023)	(17,095)	(33,118)
<i>Net Assets Beginning of Year</i>				<u>672,602</u>	<u>568,703</u>	<u>1,241,305</u>
<i>Net Assets End of Year</i>				<u>656,579</u>	<u>551,608</u>	<u>1,208,187</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006**

	GENERAL	STREET CONST. MAINT.REP.	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets				
Cash	\$391,372	\$179,264	\$10,943	\$581,579
Investments	75,000	0	0	75,000
<i>Total Assets</i>	<u>\$466,372</u>	<u>\$179,264</u>	<u>\$10,943</u>	<u>\$656,579</u>
Fund Balances				
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	\$466,372	\$0	\$0	\$466,372
Special Revenue Funds	0	179,264	10,943	190,207
<i>Total Fund Balances</i>	<u>\$466,372</u>	<u>\$179,264</u>	<u>\$10,943</u>	<u>\$656,579</u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2006**

	GENERAL	STREET CONST. MAINT.REP.	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts				
Property and Other Local Taxes	\$31,763	\$0	\$0	\$31,763
Intergovernmental	54,975	46,887	0	101,862
Charges for Services	511	0	0	511
Earnings on Investments	35,739	5,527	0	41,266
Miscellaneous	4,609	0	660	5,269
Total Receipts	127,597	52,414	660	180,671
Disbursements				
Current:				
Security of Persons and Property	10,344	0	0	10,344
Leisure Time Activities	4,236	0	0	4,236
Basic Utility Services	9,610	0	0	9,610
Transportation	0	71,732	0	71,732
General Government	70,082	0	0	70,082
Capital Outlay	9,840	0	1,565	11,405
Total Disbursements	104,113	71,732	1,565	177,410
Excess of Receipts Over (Under) Disbursements	23,484	(19,319)	(905)	3,261
Other Financing Sources (Uses)				
Sale of Fixed Assets	4,235	0	0	4,235
Transfers Out	(23,493)	0	0	(23,493)
Other Financing Uses	(27)	0	0	(27)
Total Other Financing Sources (Uses)	(19,284)	0	0	(19,284)
Net Change in Fund Balances	4,200	(19,319)	(905)	(16,024)
Fund Balances Beginning of Year	462,172	198,582	11,848	672,602
Fund Balances End of Year	\$466,372	\$179,264	\$10,943	\$656,578

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$32,333	\$32,333	\$31,763	(\$570)
Intergovernmental	55,887	55,887	54,975	(912)
Charges for Services	0	0	511	511
Earnings on Investments	27,000	27,000	35,739	8,739
Miscellaneous	0	0	4,609	4,609
<i>Total receipts</i>	115,219	115,219	127,597	12,378
Disbursements				
Current:				
Security of Persons and Property	36,000	19,686	10,344	9,342
Leisure Time Activities	6,300	6,300	4,236	2,064
Basic Utility Services	4,900	11,894	9,610	2,284
Transportation	6,000	6,000	0	6,000
General Government	92,070	101,390	70,082	31,308
Capital Outlay	19,500	19,500	9,840	9,660
<i>Total Disbursements</i>	164,770	164,770	104,113	60,658
<i>Excess of Receipts Over (Under) Disbursements</i>	(49,551)	(49,551)	23,484	(48,280)
Other Financing Sources (Uses)				
Sale of Fixed Assets	0	0	4,235	4,235
Transfers Out	(24,500)	(24,337)	(23,492)	845
Other Financing Sources	8,041	8,041	0	(8,041)
Other Financing Uses	0	(163)	(27)	136
<i>Total Other Financing Sources (Uses)</i>	(16,459)	(16,459)	(19,284)	(2,825)
<i>Net Change in Fund Balance</i>	(66,010)	(66,010)	4,200	70,210
<i>Fund Balance Beginning of Year</i>	462,171	462,171	462,172	0
<i>Fund Balance End of Year</i>	\$396,162	\$396,162	\$466,372	\$70,210

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Street Construction Maintenance and Repair Fund
For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$36,400	\$36,400	\$46,887	\$10,487
Earnings on Investments	2,600	2,600	5,527	2,927
<i>Total receipts</i>	<u>39,000</u>	<u>39,000</u>	<u>52,414</u>	<u>13,414</u>
Disbursements				
Current:				
Transportation	35,492	75,492	71,732	3,760
Capital Outlay	2,000	2,000	0	2,000
<i>Total Disbursements</i>	<u>37,492</u>	<u>77,492</u>	<u>71,732</u>	<u>5,760</u>
 <i>Net Change in Fund Balance</i>	 1,508	 (38,492)	 (19,319)	 19,173
 <i>Fund Balance Beginning of Year</i>	 <u>198,582</u>	 <u>198,582</u>	 <u>198,582</u>	 <u>0</u>
 <i>Fund Balance End of Year</i>	 <u><u>200,090</u></u>	 <u><u>160,090</u></u>	 <u><u>179,264</u></u>	 <u><u>19,173</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

***Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
December 31, 2006***

	WATER OPERATING	SEWER OPERATING	NONMAJOR ENTERPRISE FUNDS
Assets			
Cash	\$204,617	\$281,991	\$486,608
Investments	25,000	40,000	65,000
Total Assets	\$229,617	\$321,991	\$551,608
Net Assets			
Restricted for:			
Debt Service	\$0	\$9,765	\$9,765
Unrestricted	229,617	312,226	541,843
Total Net Assets	\$229,617	\$321,991	\$551,608

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**Statement of Cash Receipts,
Disbursements and Changes in Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Year Ended December 31, 2006**

	WATER OPERATING TOTAL	SEWER OPERATING TOTAL	TOTAL ENTERPRISE FUNDS
Operating Receipts			
Charges for Services	\$131,290	\$214,974	\$346,264
<i>Total Operating Receipts</i>	<u>131,290</u>	<u>214,974</u>	<u>346,264</u>
Operating Disbursements			
Personal Services	55,392	47,502	102,894
Employee Fringe Benefits	17,057	15,809	32,866
Contractual Services	58,271	46,890	105,161
Supplies and Materials	7,789	4,138	11,926
Other	4,130	0	4,130
<i>Total Operating Disbursements</i>	<u>142,639</u>	<u>114,338</u>	<u>256,977</u>
<i>Operating Income (Loss)</i>	<u>(11,348)</u>	<u>100,635</u>	<u>89,287</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	887	887	1,773
Capital Outlay	(4,709)	(1,461)	(6,170)
Principal Payments	(19,549)	(65,735)	(85,284)
Interest and Fiscal Charges	(3,908)	(36,286)	(40,194)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(27,280)</u>	<u>(102,595)</u>	<u>(129,875)</u>
<i>Income (Loss) before Transfers</i>	<u>(38,628)</u>	<u>(1,960)</u>	<u>(40,588)</u>
Transfers In	23,493	0	23,493
<i>Change in Net Assets</i>	<u>(15,135)</u>	<u>(1,960)</u>	<u>(17,095)</u>
<i>Net Assets Beginning of Year</i>	<u>244,752</u>	<u>323,951</u>	<u>568,703</u>
<i>Net Assets End of Year</i>	<u><u>\$229,617</u></u>	<u><u>\$321,991</u></u>	<u><u>\$551,608</u></u>

See accompanying notes to the basic financial statements

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

Note 1 – Reporting Entity

The Village of Frankfort, Ross County, Ohio (the Village), is a body politic and corporate 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village contracts with the Concord Township Fire Department to provide fire protection and with the Ross County Sheriff's Department to provide the Village with police protection.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. The Village has no component units.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a *modified* cash basis of accounting. This *modified* cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the *modified* cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the *modified* cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash and investment balances of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a *modified* cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund and the Street Construction Maintenance Repair Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The Street Construction Maintenance Repair Fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing village streets. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the water and sewer funds.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

C. Basis of Accounting

The Village's financial statements are prepared using the *modified* cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds; however, subsequent amendments are only prepared at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

Village records identify the purchase of specific investments by specific funds. The Village has purchased certificates of deposits totaling \$75,000 with monies from General Fund; \$25,000 with monies from the Water Fund and \$40,000 with monies from the Sewer Fund in fiscal years 2007 and 2006.

To improve cash management, cash received by the Village is pooled and invested, with the exception of the certificates of deposit previously noted. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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 negative receipts, respectively.

During 2007 and 2006, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

E. Cash and Investments (continued)

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$37,216 which includes \$20,279 assigned from other Village funds. Interest receipts credited to the General Fund during 2006 was \$35,739 which includes \$18,258 assigned from other Village funds.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Village's *modified* cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for the construction, maintenance & repairs of streets, parks and levee rehabilitation.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. The Village had no fund balance reserves as of December 31, 2007 or December 31, 2006.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 2 – Summary of Significant Accounting Policies (continued)

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Street Construction, Maintenance & Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the modified cash basis.

Note 4 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 4 – Deposits and Investments (continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. The Village's investment policy states that investments may only be made through the Citizens National Bank or Star Ohio.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2007, \$908,187 of the Village's bank balance of \$1,208,187 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name. At year end, \$934,974 of the Village's bank balance of \$1,234,974 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 4 – Deposits and Investments (continued)

Investments

The Village investment policy allows village monies to be invested in checking accounts, certificates of deposit, money market accounts, STAR Ohio and any investments as allowed by the Ohio Revised Code.

As of December 31, 2007 and 2006, the Village had the following investments:

	Carrying Value	Maturity
Certificates of Deposits	\$	
General Fund	75,000	6 months
Water Fund	25,000	6 months
Sewer Fund	40,000	6 months
Total Portfolio	\$ 140,000	

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bills are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 and 2006 represent the collection of 2006 and 2005 taxes respectfully. Real property taxes received in 2007 and 2006 were levied after October 1, 2006 and October 1, 2005, on the assessed values as of January 1, 2006 and January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 and 2006 represent the collection of 2006 and 2005 taxes. Public utility real and tangible personal property taxes received in 2007 and 2006 became a lien on December 31, 2006 and 2005, were levied after October 1, 2006 and October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 5 – Property Taxes (continued)

Tangible personal property tax receipts received in 2007 and 2006 (other than public utility property) represent the collection of 2006 (2006) taxes. Tangible personal property taxes received in 2007 and 2006 were levied after October 1, 2006 and October 1, 2005, on the true value as of December 31, 2006 and December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due

April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2007 and December 31, 2006 was \$3.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 and 2006 property tax receipts were based are as follows:

	2007	2006
Real Property		
Residential	\$9,914,890	\$9,874,490
Agricultural	26,830	26,950
Commercial/Industrial/Mineral	2,021,220	2,063,450
Tangible Personal Property	729,440	827,260
Public Utility	333,720	342,670
Total Assessed Value	\$13,026,100	\$13,134,820

Note 6 – 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.

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

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 6 – Risk Management-(continued)

\$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$9,752]. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 6 – Risk Management-(continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$9,711
2006	\$8,407
2007	\$8,480

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2007 and December 31, 2006, the members of all three plans participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries in 2007 and 9.0 in 2006, respectively. The Village's contribution rate for pension benefits for 2007 was 13.85 percent and 13.7 percent for 2006, respectively. . The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 7 – Defined Benefit Pension Plan-(continued)

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$22,703, \$19,132, and \$11,799 respectively. The full amount has been contributed for 2007, 2006 and 2005. Contributions to the member-directed plan for 2007 were \$22,703 made by the Village and \$19,132 for 2006; \$15,573 in 2007 and \$ 12,569 in 2006 was made by the plan members.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00percent of covered payroll was the portion that was used to fund health care from January 1 through June 30, 2007 and 6.00 percent from July 1 through December 31, 2007. The 2006 local government employer contribution rate was 13.7 percent of covered payroll; 4.5 percent of covered payroll was the portion that was used to fund health care

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 374,979 as of December 31, 2007. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$15,111. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$6,285. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 9 – Debt

The Village's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
1995 OWDA Wastewater Treatment Plant Loan (Original Amount \$1,220,941)	4.65%	\$746,257	\$0	\$68,767	\$677,490	\$71,939
2004 OPWC Loan Water-Treatment Plant Loan (Original Amount \$250,000)	0%	\$212,500	\$0	\$12,500	\$200,000	\$12,500
2003 Citizens National Bank Water Treatment Loan (Original Amount \$125,000)	3.75%	\$98,960	\$0	\$7,321	\$91,639	\$91,638
Total Business-type Activities		\$1,057,717	\$0	\$88,588	\$969,129	\$176,078

The Village's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Business Type Activities</u> 1995 OWDA Wastewater Treatment Plant Loan (Original Amount \$1,220,941)	4.56%	\$811,991	\$0	\$65,735	\$746,257	\$68,767
2004 OPWC Loan Water-Treatment Plant Loan (Original Amount \$250,000)	0%	\$225,000	\$0	\$12,500	\$212,500	\$12,500
2003 Citizens National Bank Water Treatment Loan (Original Amount \$125,000)	3.75%	\$106,010	\$0	\$7,049.4	\$98,960	\$7,321
Total Business-type Activities		\$1,143,001	\$0	\$85,284	\$1,057,717	\$88,588

The Ohio Water Development Authority (OWDA) loan relates to a sewer system expansion project that was mandated by the Ohio Environmental Protection Agency. The loan will be repaid in semiannual installments of \$51,010.61, including interest, over 20 years. The loan is secured by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Public Works Commission (OWPC) loan is an interest free loan the Village received to rehabilitate the water treatment plant. The loan is being repaid in semi-annual installments of \$6,250. The village transfers funds from the General fund to repay this debt.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

Note 9 – Debt (continued)

The Citizens National Bank Water Treatment Plant Loan is collateralized by the Village taxing authority and is repayable over 60 months at an interest rate of 3.75%. This note was issued for improvements to the Village water treatment plant and will be repaid from transfers from the General Fund. A balloon payment due in January 2008 has been refinanced see note 11.

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Loans		OWPC Loans		Citizens Bank	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$71,939	\$30,083	\$12,500	\$0	\$91,639	\$296
2009	75,256	26,764	12,500	0		
2010	78,729	23,294	12,500	0		
2011	82,358	19,663	12,500	0		
2012	86,156	15,866	12,500	0		
2013-2017	283,052	23,011	62,500	0		
2018-2022			62,500	0		
2023-2024			18,750	0		
Totals	<u>\$677,490</u>	<u>\$138,681</u>	<u>\$200,000</u>	<u>\$0</u>	<u>\$91,639</u>	<u>\$296</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$1,276,102 and an unvoted debt margin of \$624,797.

Note 10 – Interfund Transfers

During 2007 the following transfers were made:

Transfers from the General Fund to:	
Water Fund	<u>\$23,457</u>
Total Transfers from the General Fund	<u><u>\$23,457</u></u>

During 2006 the following transfers were made:

Transfers from the General Fund to:	
Water Fund	<u>\$23,493</u>
Total Transfers from the General Fund	<u><u>\$23,493</u></u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to repay the debt related to water treatment plan rehabilitation. These transfers are approved by Council in the form of a resolution annually.

Note 11 – Subsequent Events

The Village is having a waterline replacement design study completed by GGC Engineers. The Ohio Water Development Authority is providing funding up to \$170,000 for this engineer study. The Village will be required to pay these funds back beginning in July 2008 at the amount of \$4,250. Another \$4,250 is owed by the Village by January 1, 2009.

Also, the Village refinanced its loan with the Citizens National Bank in the amount of \$91,639 at a new interest rate of 4.75% and a monthly payment of \$967.



Mary Taylor, CPA

Auditor of State

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

Village of Frankfort
Ross County
20 N. Main Street
Frankfort, Ohio 45628

To the Village Council:

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village of Frankfort, Ross County, Ohio (the Village) as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 10, 2008 wherein we noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. 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 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 Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe finding numbers 2007-001 and 2007-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated September 10, 2008.

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, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 10, 2008.

We intend this report solely for the information and use of management and the Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

September 10, 2008

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Significant Deficiency/Material Weakness/Noncompliance Citation

Ohio Revised Code 5705.10 (D) states that all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During fiscal year 2007, the Village recorded \$1,056 of gas tax monies received from the State of Ohio erroneously in the Water Fund rather than in the Street Construction & Maintenance Fund.

This adjustment has been posted to the Village's financial statements and accounting records.

We recommend the Village record all receipts prescribed for a particular purpose in the correct fund and establish procedures to review postings of transactions to ensure that each receipt is posted and reported correctly.

FINDING NUMBER 2007-002

Financial Reporting – Significant Deficiency/Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

In addition to the adjustment noted in Finding Number 2007-001, the following audit adjustments were made to the December 31, 2007 and/or December 31, 2006 financial statements:

1. Reclassifications of \$10,457 for revenues posted as Other Financing Sources in fiscal year 2007; these amounts should have been posted as a combination of Miscellaneous Revenue, Charges for Services and Intergovernmental Revenue.
2. Reclassification of \$66,935 for debt proceeds in fiscal year 2007 that were posted as Other Financing Sources in the Water Fund; this amount should have been recorded as Proceeds of Debt.
3. Reclassification of \$5,686 for intergovernmental revenue that was recorded as property tax revenue on the Statement of Activities in fiscal year 2007. This amount was recorded correctly on the Statement of Revenues, Expenditures and Changes in Fund Balances.
4. Reclassifications of \$44,461 for 2007 and \$41,266 for 2006 of earnings on investments revenues that were recorded as miscellaneous receipts on the Statement of Activities. These amounts were recorded correctly by the Village on the Statement of Revenues, Expenditures and Changes in Fund Balances.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-002 (Continued)

Significant Deficiency/Material Weakness (Continued)

5. A \$3,484 reclassification for intergovernmental revenue that was incorrectly recorded as property tax revenue on the Statement of Activities in fiscal year 2006. This amount was recorded correctly on the Statement of Revenues, Expenditures and Changes in Fund Balances.

The necessary adjustments have also been recorded on the Village's accounting records.

In addition to the adjustments and reclassifications above, the following audit adjustment was inconsequential to the overall financial statements of the Village and were not posted to the December 31, 2006 financial statements.

1. A \$5,700 reclassification for revenues posted as other financing sources in fiscal year 2006 which should be been posted as a combination of miscellaneous revenue, charges for services and intergovernmental revenue.

The adjustments and reclassifications identified above should be reviewed by the Fiscal Officer to ensure that similar errors are not reported on financial statements in subsequent years. In addition, we recommend the Village adopt procedures for the review of the activity posted to the accounting records and subsequent financial statements.

FINDING NUMBER 2007-003

Certifying Funds Prior to Expenditure – Non-Compliance

Ohio Revised Code Section 5705.41(D) (1) provides no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2007-003 (Continued)

Certifying Funds Prior to Expenditure

– **Non-Compliance (Continued)**

1. **“Then and Now” Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also issue certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expenses. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-three percent of the expenditures tested were not certified at the time of the obligation. Then and Now Certificates were not issued for the transactions that were not certified. Additionally, the Village utilizes blanket certificates; however, Council has not established a maximum amount for their issuance.

We recommend the Clerk ensure funds are certified as available prior to the obligation through the issuance of a purchase order containing appropriate certification, or through the use of then and now certificates or so-called blanket or super blanket certificates as further permitted by Section 5705.41(D) (1) and 5705.41(D)(3). Additionally, we recommend Village Council establish a maximum amount that blanket certificates may be issued for.

Officials Response: We did not receive any Officials response for the findings noted above.



Mary Taylor, CPA
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
NOVEMBER 6, 2008**