



***VILLAGE OF FRANKFORT, ROSS COUNTY***

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**Regular Audit**

**For the Years Ended  
December 31, 2009 and 2008**

**J.L. UHRIG**  
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS







Mary Taylor, CPA  
Auditor of State

Village Council  
Village of Frankfort  
P. O. Box 351  
Frankfort, Ohio 45628

We have reviewed the *Independent Auditor's Report* of the Village of Frankfort, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Frankfort is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

August 17, 2010

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Village of Frankfort (the Village), Ross County as of and for the years ended December 31, 2009 and 2008, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash basis of accounting. 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 in the first paragraph above present fairly, in all material respects, the modified cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Village as of December 31, 2009 and 2008, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund and the Street Construction, Maintenance and Repair Fund for the years then ended in conformity with the basis of accounting presented in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 25, 2010 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. While we do 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* and should be read in conjunction with this report when considering the results of our audit.

Village Council  
Village of Frankfort, Ross County  
Independent Auditor's Report

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

May 25, 2010



**VILLAGE OF FRANKFORT, ROSS COUNTY**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2009 and 2008**  
**Unaudited**

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This discussion and analysis of the Village of Frankfort's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2009 and 2008, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Highlights**

Key highlights for 2009 are as follows:

Net assets of governmental activities decreased \$24,029, or 3.24 percent. The fund most affected by the decrease in net assets was the General Fund, which decreased by the amount of \$32,056.

Program receipts accounted for \$43,316 or 22.20 percent of total receipts for governmental activities. General receipts accounted for \$151,811 or 77.80 percent of total receipts for governmental activities. The Village's general receipts are primarily property taxes, and grants and entitlements not restricted to specific programs.

The Village governmental activities had \$181,773 in disbursements; \$43,316 of these disbursements was offset by programs specific operating grants and contributions. General receipts of \$151,811 were utilized to provide for the remainder of these programs.

Net assets of business-type activities decreased \$2,670 or 0.60 percent. The business-type activities had \$433,134 in disbursements and \$393,082 in receipts.

Among the major funds, the General Fund is the most significant with \$144,325 in receipts and \$143,511 in disbursements.

Key highlights for 2008 are as follows:

Net assets of governmental activities increased \$49,370 or 7.12 percent. Among the major funds, the General Fund had the most significant increase in net assets which was \$33,462 or 7.40 percent of the total governmental net assets.

Program receipts accounted for \$46,878 or 20.93 percent of total receipts for governmental activities. General receipts accounted for \$177,064 or 79.07 percent of total receipts for governmental activities. The Village's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs.

The Village had \$172,711 in disbursements; \$46,878 of these disbursements was offset by programs specific operating grants and contributions. General receipts of \$177,064 were utilized to provide for the remainder of these programs.

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2009 and 2008**  
**Unaudited**

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Net assets of business-type activities decreased \$93,719 or 17.30 percent. The business-type activities had \$592,281 in disbursements and \$496,701 in receipts.

Among the major funds, the General Fund is the most significant with \$165,889 in receipts and \$135,289 in disbursements.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the modified cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Village as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2009 and 2008, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Village's general receipts.

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
**Management's Discussion and Analysis**  
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**Unaudited**

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These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well such as the Village property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Village consists of two types of activities:

**Governmental Activities** - All of the Village's basic services are reported here, including police, street and general government services. State grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Business-Type Activities** - These services include water and sewer operations. Service fees for these operations are charged based upon the amount of usage. The intent is that the fees charged recoup operational costs.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village consist of two categories: governmental and proprietary.

**Governmental Funds** - All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General and Street Construction, Maintenance and Repair. The programs reported in governmental funds are the same as those reported in the governmental activities section of the entity-wide statements.

**Proprietary Funds** - When the Village charges citizens for the services it provides, with the intent of recapturing operating costs, these services are generally reported in proprietary funds. Proprietary funds are the same services as those in the business-type activities. The Village's major proprietary funds are the Water Operating and Sewer Operating.

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
**Management's Discussion and Analysis**  
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**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008 and 2007 on a modified cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities			Business-Type Activities		
	2009	2008	2007	2009	2008	2007
<b>Assets</b>						
Cash and Cash Equivalents	\$658,627	\$667,656	\$618,286	\$445,299	\$382,969	\$476,688
Investments	60,000	75,000	75,000	0	65,000	65,000
Total Assets	<u>\$718,627</u>	<u>\$742,656</u>	<u>\$693,286</u>	<u>\$445,299</u>	<u>\$447,969</u>	<u>\$541,688</u>
<b>Net Assets</b>						
<i>Restricted for:</i>						
Other Purposes	\$265,136	\$257,109	\$241,201	\$0	\$0	\$0
Unrestricted	<u>453,491</u>	<u>485,547</u>	<u>452,086</u>	<u>445,299</u>	<u>447,969</u>	<u>541,688</u>
Total Net Assets	<u>\$718,627</u>	<u>\$742,656</u>	<u>\$693,287</u>	<u>\$445,299</u>	<u>\$447,969</u>	<u>\$541,688</u>

As mentioned previously, governmental activities net assets decreased \$24,029 or 3.24 percent during 2009. The primary reasons contributing to the decrease in cash balances are an increase in disbursements and a decrease in receipts.

Business-type activities net assets decreased \$2,670 or 0.60 percent during 2009. The primary reason contributing to the decrease in cash balances is an increase in disbursements.

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
**Management's Discussion and Analysis**  
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Table 2 reflects the changes in net assets in 2009, 2008 and 2007.

(Table 2)

**Changes in Net Assets**

	Governmental Activities			Business-Type Activities		
	2009	2008	2007	2009	2008	2007
<b><u>Receipts:</u></b>						
<i>Program Receipts:</i>						
Charges for Sales and Services	\$0	\$0	\$0	\$390,939	\$396,795	\$370,738
Operating Grants and Contributions	43,316	46,878	53,466	0	0	0
<b>Total Program Receipts</b>	<b>43,316</b>	<b>46,878</b>	<b>53,466</b>	<b>390,939</b>	<b>396,795</b>	<b>370,738</b>
<i>General Receipts:</i>						
Property Taxes	47,302	48,115	47,526	0	0	0
Grants and Entitlements Not Restricted to Specific Programs	65,460	73,209	66,380	0	0	0
Cable Franchise Fee	17,961	9,511	0	0	0	0
Interest	16,450	41,506	37,216	0	0	0
Other Debt Proceeds	0	0	0	0	97,972	66,935
Miscellaneous	4,638	4,723	6,938	2,410	1,934	6,656
<b>Total General Receipts</b>	<b>151,811</b>	<b>177,064</b>	<b>158,060</b>	<b>2,410</b>	<b>99,906</b>	<b>73,591</b>
<b>Total Receipts</b>	<b>195,127</b>	<b>223,942</b>	<b>211,526</b>	<b>393,349</b>	<b>496,701</b>	<b>444,329</b>
<b><u>Disbursements:</u></b>						
General Government	76,577	76,486	76,729	0	0	0
Security of Persons and Property	19,145	17,422	28,210	0	0	0
Leisure Time Activities	3,171	3,344	3,340	0	0	0
Basic Utility Service	27,452	24,442	18,341	0	0	0
Transportation	37,055	38,422	3,375	0	0	0
Capital Outlay	18,373	12,595	21,366	0	0	0
Other	0	0	0	0	0	0
Water Operating	0	0	0	177,653	292,154	226,759
Sewer Operating	0	0	0	255,481	300,127	250,947
<b>Total Disbursements</b>	<b>181,773</b>	<b>172,711</b>	<b>151,361</b>	<b>433,134</b>	<b>592,281</b>	<b>477,706</b>
Transfers	(37,383)	(1,861)	(23,457)	37,383	1,861	23,457
Increase (Decrease) in Net Assets	(24,029)	49,370	36,707	(2,670)	(93,719)	(9,920)
Net Assets, January 1,	742,656	693,286	656,579	447,969	541,688	551,608
<b>Net Assets, December 31</b>	<b>\$718,627</b>	<b>\$742,656</b>	<b>\$693,286</b>	<b>\$445,299</b>	<b>\$447,969</b>	<b>\$541,688</b>

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2009 and 2008**  
**Unaudited**

**Governmental Activities**

Program receipts represent 22.20 percent of total receipts for 2009 and 20.93 percent of total receipts for 2008. Program receipts are comprised of operating grants and contributions.

General receipts represent 77.80 percent of total receipts for 2009 and 79.07 percent of total receipts for 2008. General receipts are comprised of property taxes, grants and entitlements not restricted to specific programs, cable franchise fee, interest and miscellaneous receipts. Property taxes represent 24.24 percent of total receipts in 2009 and 21.49 percent in 2008.

The most significant program disbursements for the Village are General Government and Transportation. These programs account for 62.51 percent of total disbursements in 2009 and 66.53 percent in 2008. General Government, which accounts for 42.13 percent of the total in 2009 and 44.29 percent in 2008, represents the general operating costs of the Village. Transportation, which accounts for 20.38 percent of the total in 2009 and 22.24 percent in 2008, represents the costs of providing police protection services to the residents of the Village.

If you look at the 2009 Statement of Activities and the 2008 Statement of Activities you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The next column of the Statement entitled Program Receipts identify grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services	Total Cost of Services	Net Cost Of Services
	2009	2009	2008	2008	2007	2007
General Government	\$76,577	(\$76,577)	\$76,486	(\$76,486)	\$76,729	(\$76,729)
Security of Persons & Property	19,145	(19,145)	17,422	(17,422)	28,210	(28,210)
Leisure Time Activities	3,171	(3,171)	3,344	(3,344)	3,340	(3,340)
Basic Utility Services	27,452	(27,452)	24,442	(24,442)	18,341	(18,341)
Transportation	37,055	6,261	38,422	8,456	3,375	50,091
Capital Outlay	18,373	(18,373)	12,595	(12,595)	21,366	(21,366)
<b>Total Expenses</b>	<b>\$181,773</b>	<b>(\$138,457)</b>	<b>\$172,711</b>	<b>(\$125,833)</b>	<b>\$151,361</b>	<b>(\$97,895)</b>

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
**Management's Discussion and Analysis**  
**For the Years Ended December 31, 2009 and 2008**  
**Unaudited**

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**Business-Type Activities**

The business-type activities of the Village, which include its water and sewer operations, decreased in net assets by \$2,670 in 2009 and \$93,719 in 2008. A decrease in net assets in total in the business-type activities for both years is due to disbursements exceeding charges for services.

**Governmental Funds**

Total governmental funds had receipts of \$190,614 and disbursements of \$181,773 in 2009. There was a \$24,029 net decrease in fund balance.

The fund balance of the General Fund decreased \$32,056 as the result of transfers out during 2009.

Total governmental funds had receipts of \$219,219 and disbursements of \$172,711 in 2008. There was a \$49,370 net increase in fund balance for 2008.

The fund balance of the General Fund increased \$33,462 as the result of an increase in receipts and a decrease in disbursements for 2008.

**Proprietary Funds**

The Village's two major enterprise funds are the Water Operating and Sewer Operating Funds which, at year end, had net assets of \$199,621 for 2009 and \$186,723 for 2008 and \$245,678 for 2009 and \$261,246 for 2008, respectively. During 2009, the Water Operating Fund net assets increased by \$12,898 while the Sewer Operation Fund net assets decreased by \$15,568.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

For the General Fund final budgeted receipts for 2009 were \$138,098 representing no change from the original budgeted receipts, while actual receipts were \$144,325. The difference between final budgeted receipts and actual receipts was \$6,227.

General Fund final disbursements were budgeted at \$173,194 for 2009 representing no change from the original budgeted disbursements, while actual disbursements were \$143,511. The difference between final budgeted disbursements and actual disbursements was \$29,683.

For the General Fund final budgeted receipts for 2008 were \$124,098 representing no change from the original budgeted receipts, while actual receipts were \$165,889. The difference between final budgeted receipts and actual receipts was \$41,791.

General Fund final disbursements were budgeted at \$167,917 for 2008 representing a \$2,984 change from the original budgeted disbursements, while actual disbursements were \$135,289. The difference between final budgeted disbursements and actual disbursements was \$32,628.

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
**Management's Discussion and Analysis**  
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**Debt Administration**

At December 31, 2009, the Village has a total of \$935,694 in outstanding debt in the business-type activities.

At December 31, 2008, the Village had a total of \$1,039,617 in outstanding debt in the business-type activities.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. As indicated in the preceding financial information, the Village relies heavily on local taxes and business type receipts to operate at the current level of services.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Betty Stroup, Fiscal Officer for Village of Frankfort, Ross County, Ohio at P.O. Box 351, Frankfort, OH 45628.



**VILLAGE OF FRANKFORT, ROSS COUNTY**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2009*

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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$658,627	\$445,299	\$1,103,926
Investments	<u>60,000</u>	<u>0</u>	<u>60,000</u>
<i>Total Assets</i>	<u><u>718,627</u></u>	<u><u>445,299</u></u>	<u><u>1,163,926</u></u>
<b><u>Net Assets:</u></b>			
<i>Restricted for:</i>			
Other Purposes	265,136	0	265,136
Unrestricted	<u>453,491</u>	<u>445,299</u>	<u>898,790</u>
<i>Total Net Assets</i>	<u><u>\$718,627</u></u>	<u><u>\$445,299</u></u>	<u><u>\$1,163,926</u></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, 2009*

		Program Receipts	
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions
<b><u>Governmental Activities:</u></b>			
General Government	\$76,577	\$0	\$0
Security of Persons and Property	19,145	0	0
Leisure Time Activities	3,171	0	0
Transportation	37,055	0	43,316
Basic Utility Services	27,452	0	0
Capital Outlay	18,373	0	0
	<b>Total Governmental Activities</b>	<b>\$0</b>	<b>\$43,316</b>
<b><u>Business-Type Activities:</u></b>			
Water Operating	\$177,653	\$156,879	\$0
Sewer Operating	255,481	234,063	0
	<b>Total Business-Type Activities</b>	<b>390,942</b>	<b>0</b>
	<b>Totals Primary Government</b>	<b>\$390,942</b>	<b>\$43,316</b>

**General Receipts:**

Property Taxes  
 Grants and Entitlements not Restricted to Specific Programs  
 Cable Franchise Fees  
 Earnings on Investment  
 Miscellaneous

*Total General Receipts*

Transfers

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets at Beginning of Year*

*Net Assets at End of Year*

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$76,577)	\$0	(\$76,577)
(19,145)	0	(19,145)
(3,171)	0	(3,171)
6,261	0	6,261
(27,452)	0	(27,452)
(18,373)	0	(18,373)
(138,457)	0	(138,457)
0	(20,774)	(20,774)
0	(21,418)	(21,418)
0	(42,192)	(42,192)
(138,457)	(42,192)	(180,649)
47,302	0	47,302
65,460	0	65,460
17,961	0	17,961
16,450	0	16,450
4,638	2,139	6,777
151,811	2,139	153,950
(37,383)	37,383	0
114,428	39,522	153,950
(24,029)	(2,670)	(26,699)
742,656	447,970	1,190,626
<u>\$718,627</u>	<u>\$445,300</u>	<u>\$1,163,927</u>

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2009*

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$393,491	\$255,613	\$9,523	\$658,627
Investments	60,000	0	0	60,000
<i>Total Assets</i>	<u>453,491</u>	<u>255,613</u>	<u>9,523</u>	<u>718,627</u>
<b><u>Fund Balances:</u></b>				
<i>Unreserved</i>				
General Fund	453,491	0	0	453,491
Special Revenue Funds	0	255,613	9,523	265,136
<i>Total Fund Balances</i>	<u>\$453,491</u>	<u>\$255,613</u>	<u>\$9,523</u>	<u>\$718,627</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
*Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2009*

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b><u>Receipts:</u></b>				
Property Taxes	\$47,302	\$0	\$0	\$47,302
Intergovernmental	65,460	43,316	0	108,776
Licenses, Permits and Fees	17,961	0	0	17,961
Earnings on Investments	13,602	2,848	0	16,450
Miscellaneous	0	0	125	125
<i>Total Receipts</i>	<u>144,325</u>	<u>46,164</u>	<u>125</u>	<u>190,614</u>
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
General Government	76,577	0	0	76,577
Security of Persons and Property	19,145	0	0	19,145
Leisure Time Activities	3,171	0	0	3,171
Transportation	793	36,262	0	37,055
Basic Utility Services	27,452	0	0	27,452
Capital Outlay	16,373	0	2,000	18,373
<i>Total Disbursements</i>	<u>143,511</u>	<u>36,262</u>	<u>2,000</u>	<u>181,773</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	814	9,902	(1,875)	8,841
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers Out	(37,383)	0	0	(37,383)
Other Financing Sources	4,513	0	0	4,513
<i>Total Other Financing Sources (Uses):</i>	<u>(32,870)</u>	<u>0</u>	<u>0</u>	<u>(32,870)</u>
<i>Net Change in Fund Balances</i>	(32,056)	9,902	(1,875)	(24,029)
<i>Fund Balances at Beginning of Year</i>	<u>485,547</u>	<u>245,711</u>	<u>11,398</u>	<u>742,656</u>
<i>Fund Balances at End of Year</i>	<u>\$453,491</u>	<u>\$255,613</u>	<u>\$9,523</u>	<u>\$718,627</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)  
General Fund  
For the Year Ended December 31, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b><u>Receipts:</u></b>				
Property Taxes	\$45,100	\$45,100	\$47,302	\$2,202
Intergovernmental	55,998	55,998	65,460	9,462
Licenses, Permits and Fees	14,000	14,000	17,961	3,961
Earnings on Investments	23,000	23,000	13,602	(9,398)
<i>Total Receipts</i>	<u>138,098</u>	<u>138,098</u>	<u>144,325</u>	<u>6,227</u>
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
General Government	97,142	97,142	76,577	20,565
Security of Persons and Property	20,800	20,800	19,145	1,655
Leisure Time Activities	6,970	6,970	3,171	3,799
Transportation	2,500	2,500	793	1,707
Basic Utility Services	28,682	28,682	27,452	1,230
Capital Outlay	17,100	17,100	16,373	727
<i>Total Disbursements</i>	<u>173,194</u>	<u>173,194</u>	<u>143,511</u>	<u>29,683</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(35,096)	(35,096)	814	35,910
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers Out	(44,600)	(44,600)	(37,383)	7,217
Other Financing Uses	4,150	4,150	4,513	363
<i>Total Other Financing Sources (Uses)</i>	<u>(40,450)</u>	<u>(40,450)</u>	<u>(32,870)</u>	<u>7,580</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	(75,546)	(75,546)	(32,056)	43,490
<i>Fund Balance at Beginning of Year</i>	<u>485,547</u>	<u>485,547</u>	<u>485,547</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$410,001</u>	<u>\$410,001</u>	<u>\$453,491</u>	<u>\$43,490</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 Maintenance and Repair Fund  
For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Receipts:</u></b>				
Intergovernmental	\$47,000	\$47,000	\$43,316	(\$3,684)
Earnings on Investments	5,000	5,000	2,848	(2,152)
<i>Total Receipts</i>	52,000	52,000	46,164	(5,836)
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
Transportation	45,100	45,100	36,262	8,838
Capital Outlay	30,000	30,000	0	30,000
<i>Total Disbursements</i>	75,100	75,100	36,262	38,838
<i>Excess of Receipts Over (Under) Disbursements</i>	(23,100)	(23,100)	9,902	33,002
<i>Fund Balance at Beginning of Year</i>	245,711	245,711	245,711	0
<i>Fund Balance at End of Year</i>	\$222,611	\$222,611	\$255,613	\$33,002

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, 2009*

	Water Operating	Sewer Operating	Total
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$199,621	\$245,678	\$445,299
<i>Total Assets</i>	<u>199,621</u>	<u>245,678</u>	<u>445,299</u>
<b><u>Net Assets:</u></b>			
Unrestricted	199,621	245,678	445,299
<i>Total Net Assets</i>	<u>\$199,621</u>	<u>\$245,678</u>	<u>\$445,299</u>

See accompanying notes to the basic financial statements.



**VILLAGE OF FRANKFORT, ROSS COUNTY**  
*Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances*  
*Proprietary Funds*  
*For the Year Ended December 31, 2009*

	Water Operating	Sewer Operating	Total Enterprise Funds
<b><u>Operating Receipts:</u></b>			
Charges for Services	\$156,879	\$234,063	\$390,942
<i>Total Operating Receipts</i>	<u>156,879</u>	<u>234,063</u>	<u>390,942</u>
<b><u>Operating Disbursements:</u></b>			
Personal Services	61,793	58,235	120,028
Employee Fringe Benefits	14,391	15,248	29,639
Contractual Services	48,054	49,569	97,623
Supplies and Materials	11,496	8,369	19,865
Other	3,350	0	3,350
<i>Total Operating Disbursements</i>	<u>139,084</u>	<u>131,421</u>	<u>270,505</u>
<i>Operating Income (Loss)</i>	17,795	102,642	120,437
<b><u>Non-Operating Receipts (Disbursements)</u></b>			
Miscellaneous Receipts	1,069	1,070	2,139
Capital Outlay	(5,966)	(22,039)	(28,005)
Principal Retirement	(28,667)	(75,256)	(103,923)
Interest and Fiscal Charges	(3,936)	(26,765)	(30,701)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(37,500)</u>	<u>(122,990)</u>	<u>(160,490)</u>
<i>Income (Less) Before Transfers</i>	(19,705)	(20,348)	(40,053)
Transfers In	32,603	4,780	37,383
<i>Change in Net Assets</i>	12,898	(15,568)	(2,670)
<i>Net Assets at Beginning of Year</i>	<u>186,723</u>	<u>261,246</u>	<u>447,969</u>
<i>Net Assets at End of Year</i>	<u><u>\$199,621</u></u>	<u><u>\$245,678</u></u>	<u><u>\$445,299</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF FRANKFORT, ROSS COUNTY**

*Statement of Net Assets - Modified Cash Basis*

*December 31, 2008*

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	Governmental Activities	Business-Type Activities	Total
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$667,656	\$382,969	\$1,050,625
Investments	75,000	65,000	140,000
<i>Total Assets</i>	<u>\$742,656</u>	<u>\$447,969</u>	<u>\$1,190,625</u>
<b><u>Net Assets:</u></b>			
<i>Restricted for:</i>			
Other Purposes	\$257,109	\$0	\$257,109
Unrestricted	485,547	447,969	933,516
<i>Total Net Assets</i>	<u>\$742,656</u>	<u>\$447,969</u>	<u>\$1,190,625</u>

See accompanying notes to the basic financial statements.

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**VILLAGE OF FRANKFORT, ROSS COUNTY**

*Statement of Activities - Modified Cash Basis*

*For the Year Ended December 31, 2008*

		Program Receipts	
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions
<b><u>Governmental Activities:</u></b>			
General Government	\$76,486	\$0	\$0
Security of Persons and Property	17,422	0	0
Leisure Time Activities	3,344	0	0
Transportation	38,422	0	46,878
Basic Utility Services	24,442	0	0
Capital Outlay	12,595	0	0
<i>Total Governmental Activities</i>	<u>\$172,711</u>	<u>\$0</u>	<u>\$46,878</u>
<b><u>Business-Type Activities:</u></b>			
Water Operating	\$292,154	\$142,278	\$0
Sewer Operating	300,127	254,517	0
<i>Total Business-Type Activities</i>	<u>592,281</u>	<u>396,795</u>	<u>0</u>
<i>Totals Primary Government</i>	<u>\$764,992</u>	<u>\$396,795</u>	<u>\$46,878</u>

**General Receipts:**

Property Taxes  
 Grants and Entitlements not Restricted to Specific Programs  
 Cable Franchise Fees  
 Earnings on Investment  
 OWDA Loan Proceeds  
 Miscellaneous

*Total General Receipts*

Transfers

*Total General Revenues and Transfers*

Change in Net Assets

*Net Assets at Beginning of Year*

*Net Assets at End of Year*

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$76,486)	\$0	(\$76,486)
(17,422)	0	(17,422)
(3,344)	0	(3,344)
8,456	0	8,456
(24,442)	0	(24,442)
(12,595)	0	(12,595)
(125,833)	0	(125,833)
0	(149,876)	(149,876)
0	(45,610)	(45,610)
0	(195,486)	(195,486)
(125,833)	(195,486)	(321,319)
48,115	0	48,115
73,209	0	73,209
9,511	0	9,511
41,506	0	41,506
0	97,972	97,972
4,723	1,934	6,657
177,064	99,906	276,970
(1,861)	1,861	0
175,203	101,767	276,970
49,370	(93,719)	(44,349)
693,286	541,688	1,234,974
<u>\$742,656</u>	<u>\$447,969</u>	<u>\$1,190,625</u>

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
 Governmental Funds  
 December 31, 2008

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$410,547	\$245,711	\$11,398	667,656
Investments	75,000	0	0	75,000
<i>Total Assets</i>	<u>\$485,547</u>	<u>\$245,711</u>	<u>\$11,398</u>	<u>\$742,656</u>
 <b><u>Fund Balances:</u></b>				
<i>Unreserved</i>				
General Fund	\$485,547	\$0	\$0	\$485,547
Special Revenue Funds	0	245,711	11,398	257,109
<i>Total Fund Balances</i>	<u>\$485,547</u>	<u>\$245,711</u>	<u>\$11,398</u>	<u>\$742,656</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
*Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2008*

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<b><u>Receipts:</u></b>				
Property Taxes	\$48,115	\$0	\$0	\$48,115
Intergovernmental	73,209	46,878	0	120,087
Licenses, Permits and Fees	9,511	0	0	9,511
Earnings on Investments	35,054	6,452	0	41,506
<i>Total Receipts</i>	<u>165,889</u>	<u>53,330</u>	<u>0</u>	<u>219,219</u>
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
General Government	76,486	0	0	76,486
Security of Persons and Property	17,422	0	0	17,422
Leisure Time Activities	3,344	0	0	3,344
Transportation	1,000	37,422	0	38,422
Basic Utility Services	24,442	0	0	24,442
Capital Outlay	12,595	0	0	12,595
<i>Total Disbursements</i>	<u>135,289</u>	<u>37,422</u>	<u>0</u>	<u>172,711</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	30,600	15,908	0	46,508
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers In	34,121	0	0	34,121
Transfers Out	(35,983)	0	0	(35,983)
Other Financing Sources	4,723	0	0	4,723
<i>Total Other Financing Sources (Uses):</i>	<u>2,861</u>	<u>0</u>	<u>0</u>	<u>2,861</u>
<i>Net Change in Fund Balances</i>	33,462	15,908	0	49,370
<i>Fund Balances at Beginning of Year</i>	<u>452,085</u>	<u>229,803</u>	<u>11,398</u>	<u>693,286</u>
<i>Fund Balances at End of Year</i>	<u>\$485,547</u>	<u>\$245,711</u>	<u>\$11,398</u>	<u>\$742,656</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)*  
General Fund  
For the Year Ended December 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b><u>Receipts:</u></b>				
Property Taxes	\$45,100	\$45,100	\$48,115	\$3,015
Intergovernmental	55,998	55,998	73,209	17,211
Licenses, Permits and Fees	0	0	9,511	9,511
Earnings on Investments	23,000	23,000	35,054	12,054
<i>Total Receipts</i>	<u>124,098</u>	<u>124,098</u>	<u>165,889</u>	<u>41,791</u>
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
General Government	106,142	103,158	76,486	26,672
Security of Persons and Property	19,100	19,100	17,422	1,678
Leisure Time Activities	4,424	4,424	3,344	1,080
Transportation	1,800	1,800	1,000	800
Basic Utility Services	24,935	24,935	24,442	493
Capital Outlay	14,500	14,500	12,595	1,905
<i>Total Disbursements</i>	<u>170,901</u>	<u>167,917</u>	<u>135,289</u>	<u>32,628</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(46,803)	(43,819)	30,600	74,419
<b><u>Other Financing Sources (Uses):</u></b>				
Transfers In	0	0	34,122	34,122
Transfers Out	(33,000)	(35,984)	(35,983)	1
Other Financing Sources	4,150	4,150	4,723	573
<i>Total Other Financing Sources (Uses)</i>	<u>(28,850)</u>	<u>(31,834)</u>	<u>2,862</u>	<u>34,696</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	(75,653)	(75,653)	33,462	109,115
<i>Fund Balance at Beginning of Year</i>	<u>452,085</u>	<u>452,085</u>	<u>452,085</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$376,432</u></u>	<u><u>\$376,432</u></u>	<u><u>\$485,547</u></u>	<u><u>\$109,115</u></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 Maintenance and Repair Fund  
For the Year Ended December 31, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>Receipts:</u></b>				
Intergovernmental	\$40,000	\$40,000	\$46,878	\$6,878
Earnings on Investments	5,000	5,000	6,452	1,452
<i>Total Receipts</i>	45,000	45,000	53,330	8,330
<b><u>Disbursements:</u></b>				
<i>Current:</i>				
Transportation	66,094	66,094	37,422	28,672
Capital Outlay	1,400	1,400	0	1,400
<i>Total Disbursements</i>	67,494	67,494	37,422	30,072
<i>Excess of Receipts Over (Under) Disbursements</i>	(22,494)	(22,494)	15,908	38,402
<i>Fund Balance at Beginning of Year</i>	229,803	229,803	229,803	0
<i>Fund Balance at End of Year</i>	\$207,309	\$207,309	\$245,711	\$38,402

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, 2008*

	Water Operating	Sewer Operating	Total
<b><u>Assets:</u></b>			
Equity in Pooled Cash and Cash Equivalents	\$161,723	\$221,246	\$382,969
Investments	25,000	40,000	65,000
<i>Total Assets</i>	<u>\$186,723</u>	<u>\$261,246</u>	<u>\$447,969</u>
<b><u>Net Assets:</u></b>			
Unrestricted	<u>\$186,723</u>	<u>\$261,246</u>	<u>\$447,969</u>
<i>Total Net Assets</i>	<u>\$186,723</u>	<u>\$261,246</u>	<u>\$447,969</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF FRANKFORT, ROSS COUNTY**

*Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances*

*Proprietary Funds*

*For the Year Ended December 31, 2008*

	Water Operating	Sewer Operating	Total Enterprise Funds
<b><u>Operating Receipts:</u></b>			
Charges for Services	\$142,278	\$254,517	\$396,795
<i>Total Operating Receipts</i>	<u>142,278</u>	<u>254,517</u>	<u>396,795</u>
<b><u>Operating Disbursements:</u></b>			
Personal Services	93,458	68,653	162,111
Fringe Benefits	18,012	16,625	34,637
Contractual Services	134,124	46,426	180,550
Supplies and Materials	9,648	7,203	16,851
Other	3,531	0	3,531
<i>Total Operating Disbursements</i>	<u>258,773</u>	<u>138,907</u>	<u>397,680</u>
<i>Operating Income (Loss)</i>	(116,495)	115,610	(885)
<b><u>Non-Operating Receipts (Disbursements)</u></b>			
Miscellaneous Receipts	967	967	1,934
Capital Outlay	(1,745)	(59,199)	(60,944)
Principal Retirement	(27,574)	(71,937)	(99,511)
Interest and Fiscal Charges	(4,062)	(30,084)	(34,146)
OWDA Loan Proceeds	97,972	0	97,972
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>65,558</u>	<u>(160,253)</u>	<u>(94,695)</u>
<i>Income (Loss) before Transfers</i>	(50,937)	(44,643)	(95,580)
Transfers In	31,635	4,348	35,983
Transfers Out	(34,122)	0	(34,122)
<i>Change in Net Assets</i>	(53,424)	(40,295)	(93,719)
<i>Net Assets at Beginning of Year</i>	<u>240,147</u>	<u>301,541</u>	<u>541,688</u>
<i>Net Assets at End of Year</i>	<u><u>\$186,723</u></u>	<u><u>\$261,246</u></u>	<u><u>\$447,969</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF FRANKFORT –ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 1 – Reporting Entity**

The Village of Frankfort, Ross County, Ohio, 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 publicly elected six-member Council, Mayor and Fiscal Officer. 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.

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 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, 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 apply FASB statements issued after November 30, 1989, to its business-type activities and enterprise funds to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Village's accounting policies.

**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. 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 generally financed through charges for services and grants.

**VILLAGE OF FRANKFORT –ROSS COUNTY**  
*Notes to the Basic Financial Statements*  
*For the Years Ended December 31, 2009 and 2008*

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**Note 2 – Summary of Significant Accounting Policies** - (Continued)

The statement of net assets presents the cash and investment balances of the governmental activities 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 activities 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support 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 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.

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.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Governmental funds focus on the sources, uses, and balances of current financial resources.

The following are the Village's major governmental funds:

**General Fund** – This 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.

**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 Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 2 – Summary of Significant Accounting Policies** - (Continued)

**Proprietary Funds**

The proprietary fund focus in on the determination of the change in net assets, financial position and cash flows. The Villages' proprietary funds are classified as enterprise. Enterprise funds may be used to account for any activities for which a fee is charged to external users for goods or services.

The following are the Village's proprietary 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 expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency 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 may appropriate.

The appropriations ordinance is the Village's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Village. The legal level of control has been established at the object level for all funds.

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.

**VILLAGE OF FRANKFORT –ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 2 – Summary of Significant Accounting Policies** (continued)

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 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 \$60,000 with monies from General Fund in fiscal year 2009. 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 year 2008.

To improve cash management, cash received by the Village is pooled and invested. 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 (contra revenue), respectively.

During 2009 and 2008, the Village invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposit are reported at cost.

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 2009 was \$13,602 which includes \$7,041 assigned from other Village funds. Interest receipts credited to the General Fund during 2006 was \$35,054 which includes \$19,009 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.

**VILLAGE OF FRANKFORT –ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 2 – Summary of Significant Accounting Policies** - (Continued)

**H. Interfund Receivables/Payables**

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**I. 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.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for 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.

**K. 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. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**L. 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 state grants reported in special revenue funds.

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.

**M. 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, 2009 or December 31, 2008.



**VILLAGE OF FRANKFORT –ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 2 – Summary of Significant Accounting Policies** - (Continued)

**N. 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 and Repair Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There were no differences for the years ended December 31, 2009 and December 31, 2008.

**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 the Trustees have 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 Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**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. Investments may only be made through specified dealers and institutions. Payment for investment may be made only upon delivery of the securities representing the investments to the treasurer of qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits:** Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

As of December 31, 2009, the carrying amount of all Village deposits was \$1,103,926. Based on the criteria described in GASB Statement No. 40, \$928,129 of the \$1,178,129 in bank balances of the Village was exposed to custodial risk as discussed above while \$250,000 was covered by FDIC. The \$928,129 exposed to custodial risk was uninsured, and collateral was held by the pledging banks trust department but not in the Village's name. Congress enacted temporary legislation to increase FDIC insurance coverage from \$100,000 to \$250,000 until December 31, 2013.

As of December 31, 2008, the carrying amount of all Village deposits was \$1,050,625. Based on the criteria described in GASB Statement No. 40, \$1,015,477 of the \$1,265,477 in bank balances of the Village was exposed to custodial risk as discussed above while \$250,000 was covered by FDIC. The \$1,015,477 exposed to custodial risk was uninsured, and collateral was held by the pledging banks trust department but not in the Village's name. Congress enacted temporary legislation to increase FDIC insurance coverage from \$100,000 to \$250,000 until December 31, 2013.

**VILLAGE OF FRANKFORT –ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 4 – Deposits and Investments** – (Continued)

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 105% of the deposits being secured.

**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, 2009 and 2008, the Village had the following investments:

	2009 Carrying Value	2008 Carrying Value	Maturity
Certificates of Deposits	\$		
General Fund	60,000	75,000	6 Months
Water Fund	0	25,000	6 Months
Sewer Fund	0	40,000	6 Months
Total Portfolio	<u>\$ 60,000</u>	<u>\$ 140,000</u>	

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 village. Real property tax receipts received in 2009 and 2008 represent the collection of 2008 and 2007 taxes respectfully. Real property taxes received in 2009 and 2008 were levied after October 1, 2008 and October 1, 2007, on the assessed values as of January 1, 2008 and January 1, 2007, 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.

**VILLAGE OF FRANKFORT –ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 5 – Property Taxes** - (Continued)

Public utility property tax receipts received in 2009 and 2008 represent the collection of 2008 and 2007 taxes. Public utility real and tangible personal property taxes received in 2009 and 2008 became a lien on December 31, 2006 and 2007, were levied after October 1, 2008 and October 1, 2007, 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.

Tangible personal property tax receipts received in 2009 and 2008 (other than public utility property) represent the collection of 2008 and 2007 taxes. Tangible personal property taxes received in 2009 and 2008 were levied after October 1, 2008 and October 1, 2007, on the true value as of December 31, 2008 and December 31, 2007. 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. Tangible personal property taxes were assessed on 6.25 percent of true value for equipment and average value for inventories for 2008 and were phased out for 2009.

The full tax rate for all Village operations for the year ended December 31, 2009 and December 31, 2008 was \$7.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 and 2008 property tax receipts were based are as follows:

	2009	2008
Real Property		
Residential	\$11,535,530	\$11,491,600
Agricultural	28,330	30,820
Commercial/Industrial/Mineral	2,668,610	2,424,420
Tangible Personal Property	43,160	428,280
Public Utility	222,230	221,940
Total Assessed Value	\$14,497,860	\$14,597,060

**Note 6 – Risk Management**

Risk Pool Membership

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.

**VILLAGE OF FRANKFORT – ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 6 – Risk Management** – (Continued)

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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, 2009, PEP retained \$350,000 for casualty claims and \$150,000 for property claims. At December 31, 2008, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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, 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Assets	\$36,374,898	\$35,769,535
Liabilities	<u>(15,256,862)</u>	<u>(15,310,206)</u>
Net Assets	<u>\$21,118,036</u>	<u>\$20,459,329</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$13.7 million and \$12.9 million of estimated incurred claims payable to be billed to approximately 447 and 445 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

**VILLAGE OF FRANKFORT –ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**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>	
2007	\$8,407
2008	8,526
2009	8,144

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 contribution. Withdrawing members have no other future obligation to PEP. 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 Plan**

**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 year ended December 31, 2009, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 10.1 percent. The Village's contribution rate for pension benefits for 2009 was 14.0 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 17.63 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF FRANKFORT –ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 7 – Defined Benefit Pension Plan** –(Continued)

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 10.1 percent. The Village's contribution rate for pension benefits for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008, and 2007 were \$12,814, \$24,559, \$22,454, respectively. The full amount has been contributed for 2009, 2008, and 2007.

**Note 8 - Postemployment Benefits**

**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 2009 local government employer contribution rate was 14.0 percent of covered payroll (17.63 percent for public safety and law enforcement); 7 percent from January 1 through March 31, 2009 and 5.5 percent from April 1, through December 31, 2009 of covered payroll was the portion that was used to fund health care. The 2008 local government employer contribution rate was 14.0 percent of covered payroll (17.4 percent for public safety and law enforcement); 7 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, 2008, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .5 and 3.0 percent annually for the next eight years and 4 percent annually after six 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 for December 31, 2009 and December 31, 2008 were 358,584 and 356,388 respectively. Actual employer contributions for 2009 and 2008 which were used to fund postemployment benefits were \$10,334 and \$12,280 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) were \$29.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.9 billion and \$10.7 billion, respectively.

**VILLAGE OF FRANKFORT – ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

**Note 8 - Postemployment Benefits** – (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2009. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 9 - Debt**

A summary of the debt transactions for the year ended December 31, 2009, follows:

Business-Type Activities	Interest Rate	Principal Balance 12/31/2008	Issued in 2009	Retired in 2009	Principal Balance 12/31/2009	Due In One Year
OWDA Wastewater Treatment Plant	4.56%	\$605,553	\$0	\$75,256	\$530,297	\$78,727
OWDA Waterline Replacement Design	4.67%	161,500	0	8,500	153,000	8,500
OPWC Water-Treatment Plant	0.00%	187,500	0	12,500	175,000	12,500
Citizens National Bank	4.75%	85,064	0	7,667	77,397	8,044
<b>Total Business-Type Activities</b>		<u>\$1,039,617</u>	<u>\$0</u>	<u>\$103,923</u>	<u>\$935,694</u>	<u>\$107,771</u>

A summary of the debt transactions for the year ended December 31, 2008, follows:

Business-Type Activities	Interest Rate	Principal Balance 12/31/2007	Issued in 2008	Retired in 2008	Principal Balance 12/31/2008	Due In One Year
OWDA Wastewater Treatment Plant	4.56%	\$677,490	\$0	\$71,937	\$605,553	\$75,256
OWDA Waterline Replacement Design	4.67%	72,028	97,972	8,500	161,500	8,500
OPWC Water-Treatment Plant	0.00%	200,000	0	12,500	187,500	12,500
Citizens National Bank	4.75%	91,638	0	6,574	85,064	7,667
<b>Total Business-Type Activities</b>		<u>\$1,041,156</u>	<u>\$97,972</u>	<u>\$99,511</u>	<u>\$1,039,617</u>	<u>\$103,923</u>

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 \$51,011, 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.



**VILLAGE OF FRANKFORT – ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 9 – Debt** – (Continued)

The Ohio Water Development Authority (OWDA) loan relates to a waterline replacement project. The loan was completely drawn down during 2009. The loan is secured by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. A repayment schedule has not been determined by OWDA for this loan as of December 31, 2009.

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.

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 4.75%. This note was issued for improvements to the Village water treatment plant and will be repaid from transfers from the General Fund.

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

Year Ending December 31	1995 OWDA		2004 OPWC		2008 Citizens Bank		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$78,727	\$23,294	\$12,500	\$0	\$8,044	\$3,559	\$107,771	\$26,853
2011	82,358	19,663	12,500	0	8,440	3,163	111,798	22,826
2012	86,156	15,866	12,500	0	8,847	2,755	243,503	53,842
2013	90,130	11,891	12,500	0	52,066	213	154,696	12,104
2014	94,286	7,735	12,500	0	0	0	106,786	7,735
2015-2019	98,640	3,386	62,500	0	0	0	161,140	3,386
2020-2023	0	0	50,000	0	0	0	50,000	0
Total	\$530,297	\$81,835	\$175,000	\$0	\$77,397	\$9,690	\$935,694	\$126,746

**VILLAGE OF FRANKFORT –ROSS COUNTY**  
**Notes to the Basic Financial Statements**  
**For the Years Ended December 31, 2009 and 2008**

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**Note 10 – Interfund Transfers**

During 2009 the following transfers were made:

Transfers from the General Fund to:	
Water Operating	\$32,603
Sewer Operating	<u>4,780</u>
Total Transfers from the General Fund	<u>\$37,383</u>

During 2008 the following transfers were made:

Transfers from the General Fund to:	
Water Operating	\$31,635
Sewer Operating	<u>4,348</u>
Total Transfers from the General Fund	<u>\$35,983</u>
Transfers from Water Operating to:	
General	<u>\$34,122</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During 2008, pursuant to Ohio Revised Code Section 5705.14, the Village received approval from the Ross County Court of Common Pleas to transfer funds from the Water Operating Fund to the General Fund. These funds were transferred to be placed on the loan at Citizens National Bank for the water treatment rehabilitation project.

**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by  
Government Auditing Standards**

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

We have audited the accompanying financial statements of Village of Frankfort, Ross County, Ohio (the Village) , as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated May 25, 2010 As discussed in Note 2, the Village followed the cash basis of accounting, which is a comprehensive basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**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.

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 more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we much report under Government Auditing Standards.

Village Council  
Village of Frankfort, Ross County  
Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Required by  
Government Auditing Standards

We also noted certain additional matters that we have reported to management of the Village in a separate letter dated May 25, 2010.

This report is intended for the information and use of the Village Council, management, and audit committee, and is not intended to be and should not be used by anyone other than these specified parties.

*J. L. Uhrig and Associates, Inc.*

J. L. UHRIG AND ASSOCIATES, INC.

May 25, 2010

**VILLAGE OF FRANKFORT, ROSS COUNTY**  
**Schedule of Prior Audit Findings**  
**For the Year Ended December 31, 2009 and 2008**

Description	Status	Comments
<b><i>Government Auditing Standards:</i></b>		
1. Finding No. 2007-001 The Village recorded gas tax monies received from the State of Ohio erroneously in the Water Fund rather than in the Street Construction & Maintenance Fund.	Corrected	N/A
2. Finding No. 2007-002 Audit Adjustments were made for reclassification of monies for debt proceeds, intergovernmental and earnings on investments.	Corrected	N/A
3. Finding No. 2007-003 The Village did not ensure funds were 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).	Corrected	N/A





**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  
AUGUST 31, 2010**