



VILLAGE OF FRANKFORT, ROSS COUNTY

Regular Audit

**For the Year Ended
December 31, 2010**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Members of 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, 2010 through December 31, 2010. 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.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

July 30, 2012

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VILLAGE OF FRANKFORT, ROSS COUNTY

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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, 2010, 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, 2010, 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 3, 2012 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

We conducted our audit to opine on the Government's financial statements taken a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

May 3, 2012

VILLAGE OF FRANKFORT, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2010
Unaudited

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, 2010, 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. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Highlights

Net assets of governmental activities increased \$31,233 or 4.35 percent. Among the major funds, the Street Construction Maintenance and Repair Fund had the most significant increase in net assets which was \$38,917 or 15.22 percent of the total governmental net assets.

Program receipts accounted for \$301,946 or 69.03 percent of total receipts for governmental activities. General receipts accounted for \$135,459 or 30.97 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 \$379,371 in disbursements; \$301,946 of these disbursements was offset by programs specific operating grants and contributions. General receipts of \$135,459 were utilized to provide for the remainder of these programs.

Net assets of business-type activities decreased \$38,432 or 8.63 percent. The business-type activities had \$494,326 in disbursements and \$429,093 in receipts.

Among the major funds, the General Fund is the most significant with \$126,290 in receipts and \$112,971 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.

VILLAGE OF FRANKFORT, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2010
Unaudited

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 2010, 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.

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.

VILLAGE OF FRANKFORT, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2010
Unaudited

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.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2010 compared to 2009 on a modified cash basis:

(Table 1)
Net Assets

	Government Activities		Business-Type Activities	
	2010	2009	2010	2009
Assets				
Cash and Cash Equivalents	\$689,860	\$658,627	\$406,867	\$445,299
Investments	60,000	60,000	0	0
Total Assets	\$749,860	\$718,627	\$406,867	\$445,299
Net Assets				
<i>Restricted for:</i>				
Other Purposes	\$302,892	\$265,136	\$0	\$0
Unrestricted	446,968	453,491	406,867	445,299
Total Net Assets	\$749,860	\$718,627	\$406,867	\$445,299

VILLAGE OF FRANKFORT, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2010
Unaudited

Table 2 reflects the changes in net assets in 2010 and 2009.

(Table 2)

Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
<u>Receipts:</u>				
<i>Program Receipts:</i>				
Charges for Sales and Services	\$0	\$0	\$427,351	\$390,939
Operating Grants and Contributions	301,946	43,316	0	0
Total Program Receipts	<u>301,946</u>	<u>43,316</u>	<u>427,351</u>	<u>390,939</u>
<i>General Receipts:</i>				
Property Taxes	48,602	47,302	0	0
Grants and Entitlements Not Restricted to Specific Programs	48,495	65,460	0	0
Cable Franchise Fee	21,453	17,961	0	0
Interest	9,915	16,450	0	0
Miscellaneous	6,994	4,638	1,742	2,410
Total General Receipts	<u>135,459</u>	<u>151,811</u>	<u>1,742</u>	<u>2,410</u>
Total Receipts	<u>437,405</u>	<u>195,127</u>	<u>429,093</u>	<u>393,349</u>
<u>Disbursements:</u>				
General Government	71,335	76,577	0	0
Security of Persons and Property	17,042	19,145	0	0
Leisure Time Activities	3,954	3,171	0	0
Basic Utility Service	16,014	27,452	0	0
Transportation	265,205	37,055	0	0
Capital Outlay	5,821	18,373	0	0
Other				
Water Operating	0	0	247,203	177,653
Sewer Operating	0	0	247,123	255,481
Total Disbursements	<u>379,371</u>	<u>181,773</u>	<u>494,326</u>	<u>433,134</u>
Transfers	<u>(26,801)</u>	<u>(37,383)</u>	<u>26,801</u>	<u>37,383</u>
Increase (Decrease) in Net Assets	31,233	(24,029)	(38,432)	(2,670)
Net Assets, January 1,	718,627	742,656	445,299	447,969
Net Assets, December 31	<u>\$749,860</u>	<u>\$718,627</u>	<u>\$406,867</u>	<u>\$445,299</u>

VILLAGE OF FRANKFORT, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2010
Unaudited

Governmental Activities

Program receipts represent 69.03 percent of total receipts for 2010. Program receipts are comprised of operating grants and contributions.

General receipts represent 30.97 percent of total receipts for 2010. 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 11.11 percent in 2010.

The most significant program disbursements for the Village are General Government, Security of Persons and Property and Transportation. These programs account for 93.20 percent in 2010. General Government, which accounts for 18.80 percent in 2010, represents the general operating costs of the Village. Security of Persons and Property, which accounts for 4.49 percent in 2010, represents the costs of providing police protection services to the residents of the Village. Transportation, which accounts for 69.91 percent in 2010, represents the costs of constructing, maintaining, and repairing Village streets.

If you look at the 2010 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
	2010	2010	2009	2009
General Government	\$71,335	(\$71,335)	\$76,577	(\$76,577)
Security of Persons & Property	17,042	(17,042)	19,145	(19,145)
Leisure Time Activities	3,954	(3,954)	3,171	(3,171)
Basic Utility Services	16,014	(16,014)	27,452	(27,452)
Transportation	265,205	36,741	37,055	6,261
Capital Outlay	5,821	(5,821)	18,373	(18,373)
Total Expenses	\$379,371	(\$77,425)	\$181,773	(\$138,457)

VILLAGE OF FRANKFORT, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2010
Unaudited

Business-Type Activities

The business-type activities of the Village, which include its water and sewer operations, decrease in net assets by \$38,432 in 2010. A decrease in net assets in total in the business-type activities for 2010 is due to an increase in principal retirement expense in the Water Operating fund.

Governmental Funds

Total governmental funds had receipts of \$437,405 and disbursements of \$379,371 in 2010. There was a \$31,233 net increase in fund balance for 2010.

The fund balance of the General Fund decreased \$6,523 as the result of a decrease in receipts for 2010.

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 \$157,868 for 2010 and \$248,999 for 2010, respectively.

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 2010 were \$135,398 representing a \$13,104 increase from the original budgeted receipts, while actual receipts were \$126,290. The difference between final budgeted receipts and actual receipts was \$9,108.

General Fund final disbursements were budgeted at \$199,692 for 2010 representing a \$64,832 decrease from the original budgeted disbursements, while actual disbursements were \$112,971. The difference between final budgeted disbursements and actual disbursements was \$86,721.

Debt Administration

At December 31, 2010, the Village had a total of \$758,571 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, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$689,860	\$406,867	\$1,096,727
Investments	<u>60,000</u>	<u>0</u>	<u>\$60,000</u>
<i>Total Assets</i>	<u>\$749,860</u>	<u>\$406,867</u>	<u>\$1,156,727</u>
<u>Net Assets:</u>			
<i>Restricted for:</i>			
Other Purposes	\$302,892	\$0	\$302,892
Unrestricted	<u>446,968</u>	<u>406,867</u>	<u>\$853,835</u>
<i>Total Net Assets</i>	<u>\$749,860</u>	<u>\$406,867</u>	<u>\$1,156,727</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, 2010

		Program Receipts	
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions
<u>Governmental Activities:</u>			
General Government	\$71,335	\$0	\$0
Security of Persons and Property	17,042	0	0
Leisure Time Activities	3,954	0	0
Transportation	265,205	0	301,946
Basic Utility Services	16,014	0	0
Capital Outlay	5,821	0	0
<i>Total Governmental Activities</i>	\$379,371	\$0	\$301,946
<u>Business-Type Activities:</u>			
Water Operating	\$247,203	\$177,778	\$0
Sewer Operating	247,123	249,573	0
<i>Total Business-Type Activities</i>	494,326	427,351	0
<i>Totals Primary Government</i>	\$873,697	\$427,351	\$301,946

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 Receipts 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
(\$71,335)	\$0	(\$71,335)
(17,042)	0	(17,042)
(3,954)	0	(3,954)
36,741	0	36,741
(16,014)	0	(16,014)
(5,821)	0	(5,821)
(77,425)	0	(77,425)
0	(69,425)	(69,425)
0	2,450	2,450
0	(66,975)	(66,975)
(77,425)	(66,975)	(144,400)
48,602	0	48,602
48,495	0	48,495
21,453	0	21,453
9,915	0	9,915
6,994	1,742	8,736
135,459	1,742	137,201
(26,801)	26,801	0
108,658	28,543	137,201
31,233	(38,432)	(7,199)
718,627	445,299	1,163,926
\$749,860	\$406,867	\$1,156,727

VILLAGE OF FRANKFORT, ROSS COUNTY
Statement of Modified Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2010

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$386,968	\$294,529	\$8,363	689,860
Investments	60,000	0	0	60,000
<i>Total Assets</i>	<u>\$446,968</u>	<u>\$294,529</u>	<u>\$8,363</u>	<u>\$749,860</u>
 <u>Fund Balances:</u>				
<i>Unreserved</i>				
General Fund	\$446,968	\$0	\$0	\$446,968
Special Revenue Funds	0	294,529	8,363	302,892
<i>Total Fund Balances</i>	<u>\$446,968</u>	<u>\$294,529</u>	<u>\$8,363</u>	<u>\$749,860</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, 2010

	General	Street Construction Maintenance and Repair	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>				
Property Taxes	\$48,602	\$0	\$0	\$48,602
Intergovernmental	48,495	301,946	0	350,441
Licenses, Permits and Fees	21,453	0	0	21,453
Earnings on Investments	7,740	2,175	0	9,915
Miscellaneous	0	0	35	35
<i>Total Receipts</i>	<u>126,290</u>	<u>304,121</u>	<u>35</u>	<u>430,446</u>
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	71,335	0	0	71,335
Security of Persons and Property	17,042	0	0	17,042
Leisure Time Activities	3,954	0	0	3,954
Transportation	0	265,205	0	265,205
Basic Utility Services	16,014	0	0	16,014
Capital Outlay	4,626	0	1,195	5,821
<i>Total Disbursements</i>	<u>112,971</u>	<u>265,205</u>	<u>1,195</u>	<u>379,371</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	13,319	38,916	(1,160)	51,075
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(26,801)	0	0	(26,801)
Other Financing Sources	6,959	0	0	6,959
<i>Total Other Financing Sources (Uses):</i>	<u>(19,842)</u>	<u>0</u>	<u>0</u>	<u>(19,842)</u>
<i>Net Change in Fund Balances</i>	(6,523)	38,916	(1,160)	31,233
<i>Fund Balances at Beginning of Year</i>	<u>453,491</u>	<u>255,613</u>	<u>9,523</u>	<u>718,627</u>
<i>Fund Balances at End of Year</i>	<u><u>\$446,968</u></u>	<u><u>\$294,529</u></u>	<u><u>\$8,363</u></u>	<u><u>\$749,860</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)*
General Fund
For the Year Ended December 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$45,600	\$45,100	\$48,602	\$3,502
Intergovernmental	52,294	54,298	48,495	(5,803)
Licenses, Permits and Fees	18,000	16,000	21,453	5,453
Earnings on Investments	6,400	20,000	7,740	(12,260)
<i>Total Receipts</i>	<u>122,294</u>	<u>135,398</u>	<u>126,290</u>	<u>(9,108)</u>
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	112,921	115,458	71,335	44,123
Security of Persons and Property	26,900	26,631	17,042	9,589
Leisure Time Activities	10,600	10,600	3,954	6,646
Transportation	4,200	2,700	0	2,700
Basic Utility Services	26,903	26,903	16,014	10,889
Capital Outlay	83,000	17,400	4,626	12,774
<i>Total Disbursements</i>	<u>264,524</u>	<u>199,692</u>	<u>112,971</u>	<u>86,721</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(142,230)	(64,294)	13,319	77,613
<u>Other Financing Sources (Uses):</u>				
Transfers Out	(26,000)	(44,600)	(26,801)	17,799
Other Financing Sources	4,500	4,200	6,959	2,759
<i>Total Other Financing Sources (Uses)</i>	<u>(21,500)</u>	<u>(40,400)</u>	<u>(19,842)</u>	<u>20,558</u>
<i>Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses</i>	(163,730)	(104,694)	(6,523)	98,171
<i>Fund Balance at Beginning of Year</i>	<u>453,491</u>	<u>453,491</u>	<u>453,491</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$289,761</u>	<u>\$348,797</u>	<u>\$446,968</u>	<u>\$98,171</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, 2010*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$45,200	\$301,369	\$301,946	\$577
Earnings on Investments	2,000	4,000	2,175	(1,825)
<i>Total Receipts</i>	47,200	305,369	304,121	(1,248)
<u>Disbursements:</u>				
<i>Current:</i>				
Transportation	48,100	300,469	265,205	35,264
Capital Outlay	7,000	7,000	0	7,000
<i>Total Disbursements</i>	55,100	307,469	265,205	42,264
<i>Excess of Receipts Over (Under) Disbursements</i>	(7,900)	(2,100)	38,916	41,016
<i>Fund Balance at Beginning of Year</i>	255,613	255,613	255,613	0
<i>Fund Balance at End of Year</i>	\$247,713	\$253,513	\$294,529	\$41,016

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, 2010

	Water Operating	Sewer Operating	Total
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$157,868	\$248,999	\$406,867
<i>Total Assets</i>	\$157,868	\$248,999	\$406,867
<u>Net Assets:</u>			
Unrestricted	\$157,868	\$248,999	\$406,867
<i>Total Net Assets</i>	\$157,868	\$248,999	\$406,867

See accompanying notes to the basic financial statements.

VILLAGE OF FRANKFORT, ROSS COUNTY

Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Net Assets

Proprietary Funds

For the Year Ended December 31, 2010

	Water Operating	Sewer Operating	Total Enterprise Funds
<u>Operating Receipts:</u>			
Charges for Services	\$177,778	\$249,573	\$427,351
<i>Total Operating Receipts</i>	<u>177,778</u>	<u>249,573</u>	<u>427,351</u>
<u>Operating Disbursements:</u>			
Personal Services	57,880	56,431	114,311
Fringe Benefits	13,659	12,469	26,128
Contractual Services	49,810	52,558	102,368
Supplies and Materials	15,440	7,436	22,876
Other	3,750	0	3,750
<i>Total Operating Disbursements</i>	<u>140,539</u>	<u>128,894</u>	<u>269,433</u>
<i>Operating Income (Loss)</i>	37,239	120,679	157,918
<u>Non-Operating Receipts (Disbursements)</u>			
Miscellaneous Receipts	871	871	1,742
Capital Outlay	(6,041)	(16,208)	(22,249)
Principal Retirement	(98,397)	(78,726)	(177,123)
Interest and Fiscal Charges	(2,226)	(23,295)	(25,521)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(105,793)</u>	<u>(117,358)</u>	<u>(223,151)</u>
Income (Loss) before Transfers	(68,554)	3,321	(65,233)
Transfers In	26,801	0	26,801
<i>Change in Net Assets</i>	(41,753)	3,321	(38,432)
<i>Net Assets at Beginning of Year</i>	<u>199,621</u>	<u>245,678</u>	<u>445,299</u>
<i>Net Assets at End of Year</i>	<u><u>\$157,868</u></u>	<u><u>\$248,999</u></u>	<u><u>\$406,867</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, 2010

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, 2010

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, 2010

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

Proprietary Funds

The proprietary funds 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, 2010

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 2010.

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 2010, 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 2010 was \$7,740 which includes \$3,893 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, 2010

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, 2010.

VILLAGE OF FRANKFORT –ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010

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, 2010.

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, 2010

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, 2010, the carrying amount of all Village deposits was \$1,096,727. Based on the criteria described in GASB Statement No. 40, \$917,622 of the \$1,167,622 in bank balances of the Village was exposed to custodial risk as discussed above while \$250,000 was covered by FDIC. The \$917,622 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.

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.

VILLAGE OF FRANKFORT – ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010

Note 4 – Deposits and Investments – (Continued)

Investments

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

As of December 31, 2010, the Village had the following investments:

	2010 Carrying Value	Maturity
Certificates of Deposits		
General Fund	\$60,000	6 Months
Total Portfolio	\$60,000	

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

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

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the village. Real property tax receipts received in 2010 represent the collection of 2009 taxes respectfully. Real property taxes received in 2010 were levied after October 1, 2009, on the assessed values as of January 1, 2009, 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, 2010

Note 5 – Property Taxes - (Continued)

Public utility property tax receipts received in 2010 represent the collection of 2009 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009, were levied after October 1, 2009, 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 2010 (other than public utility property) represent the collection of 2009 taxes. Tangible personal property taxes received in 2010 were levied after October 1, 2009, on the true value as of December 31, 2009. 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 phased out for equipment and average value for inventories for 2010.

The full tax rate for all Village operations for the year ended December 31, 2010 was \$7.90 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2010 property tax receipts were based are as follows:

	2010	2009
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

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

The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool’s primary liability for such payments. The Pool is a member of American Public Entity Excess Pool (“APEEP”), which is also administered by ARPCO. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2010 the Pool retained \$350,000 for casualty claims and \$150,000 for property claims). The Board of Directors and ARPCO periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain.

VILLAGE OF FRANKFORT –ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010

Note 6 – Risk Management – (Continued)

Casualty Insurance

For occurrences prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 and provides up to \$1,750,000 per claim.

For occurrences on or after January 1, 2006, PEP retains casualty risk up to \$350,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contribution to APEEP. APEEP reinsures claim exceeding \$350,000 and provides up to \$2,650,000 per claim.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to an aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, General Reinsurance Corporation.

Property Insurance

Prior to January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600,000,000 per occurrence limit.

On or after January 1, 2009, Travelers reinsures specific losses exceeding \$250,000, and provides up to \$600,000,000 per occurrence. APEEP reinsures members for a specific loss exceeding \$150,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provide aggregate stop-loss coverage based upon the combined PEP members' total insurable values. If the stop loss is reached by payment of losses between \$150,000 and \$500,000, Travelers will reinsure specific losses exceeding \$150,000 up to their \$600,000,000 per occurrence limit.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (The latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	(14,320,812)	(15,256,862)
Retained earnings	<u>\$20,631,198</u>	<u>\$21,118,036</u>

VILLAGE OF FRANKFORT –ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010

Note 6 – Risk Management – (Continued)

The assets and retained earnings above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 and 447 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The District's share of these unpaid claims collectible in future years is approximately \$23,700. This payable includes the subsequent years' contribution due if the District terminates participation, as described in the last paragraph below.

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>	
2008	\$8,526
2009	8,144
2010	8,031
2011	8,099

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.

VILLAGE OF FRANKFORT –ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010

Note 7 – Defined Benefit Pension Plan

For the year ended December 31, 2010, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2010 was 14.0 percent. For those classifications, the Village's pension contributions were 17.87 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, 2010, 2009, and 2008 were \$14,071, \$12,814, and \$24,559 respectively. The full amount has been contributed for 2010, 2009, and 2008.

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. In 2010 for local government employer units, the rate was 14.0 percent of covered payroll; for members in the Traditional Plan, 4.0 percent was the portion used to fund healthcare during calendar year 2010 and for members in the Combined Plan, 6.05 percent was the portion used during calendar year 2010. In 2010, for local government employer units, the rate was 14.0 percent of covered payroll; for members in the Traditional Plan, 5.5 percent was the portion used to fund healthcare from January 1 through February 28, 2010 and 5.0 percent was the portion used from March 1 through December 31, 2010; and for members in the Combined Plan, 4.73 percent was the portion used to fund healthcare from January 1 through February 28, 2010 and 4.23 percent was the portion used from March 1 through December 31, 2010. The 2010 employer rate was 17.87 percent, and 7.0 percent was used to fund healthcare for both the law enforcement and public safety divisions.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rates increases allowed additional funds to be allocated to the health care plan.

VILLAGE OF FRANKFORT –ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010

Note 9 - Debt

A summary of the debt transactions for the year ended December 31, 2010, follows:

Business-Type Activities	Interest Rate	Principal Balance 12/31/2009	Issued in 2010	Retired in 2010	Principal Balance 12/31/2010	Due In One Year
OWDA Wastewater Treatment Plant	4.56%	\$530,297	\$0	\$78,726	\$451,571	\$82,358
OWDA Waterline Replacement Design	4.67%	153,000	0	8,500	144,500	144,500
OPWC Water-Treatment Plant	0.00%	175,000	0	12,500	162,500	12,500
Citizens National Bank	4.75%	77,397	0	77,397	0	0
Total Business-Type Activities		\$935,694	\$0	\$177,123	\$758,571	\$239,358

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.

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. This loan was repaid in full during fiscal year 2011.

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 was repaid from transfers from the General Fund.

VILLAGE OF FRANKFORT – ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010

Note 9 – Debt – (Continued)

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

Year Ending December 31	1995 OWDA		2004 OPWC		Waterline Replacement OWDA		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$82,358	\$19,663	\$12,500	\$0	\$144,500	\$0	\$239,358	\$19,663
2012	86,156	15,866	12,500	0	0	0	98,656	15,866
2013	90,130	11,891	12,500	0	0	0	102,630	11,891
2014	94,286	7,735	12,500	0	0	0	106,786	7,735
2015	98,641	3,385	12,500	0	0	0	111,141	3,385
2016-2020	0	0	62,500	0	0	0	62,500	0
2021-2023	0	0	37,500	0	0	0	37,500	0
Total	<u>\$451,571</u>	<u>\$58,540</u>	<u>\$162,500</u>	<u>\$0</u>	<u>\$144,500</u>	<u>\$0</u>	<u>\$758,571</u>	<u>\$58,540</u>

Note 10 – Interfund Transfers

During 2010 the following transfers were made:

Transfers from the General Fund to:	
Water Operating	<u>\$26,801</u>
Total Transfers from the General Fund	<u>\$26,801</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.

**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, 2010, and have issued our report thereon dated May 3, 2012. As discussed in Note 2, the Village followed the modified 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

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

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*.

We also noted certain additional matters that we have reported to management of the Village in a separate letter dated May 3, 2012.

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 3, 2012

VILLAGE OF FRANKFORT, ROSS COUNTY

Schedule of Findings

For the Fiscal Year Ended June 30, 2010

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2010-001

Financial Statement Adjustments - Material Weakness

Rule 117-2-01(A) and 117-2-01(B)(1) of the Ohio Administrative Code directs all public offices to design and operate a system of internal control that is adequate to provide reasonable assurance regarding the reliability of financial reporting.

Sound financial reporting is the responsibility of the Fiscal Officer and the Village Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. It is also important to note that independent auditors are not part of an entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

Thus, it is important that management develop control procedures related to drafting financial statements and footnotes that enable management to prevent and detect potential misstatements in the financial statements and footnotes prior to audit.

The following audit adjustments were made to the December 31, 2010 financial statements:

1. To correctly record debt payments.
2. To correctly record the receipts and disbursements of an on-behalf grant received from the Ohio Department of Transportation.

These proposed adjustments have been made to the financial statements for both years.

The lack of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.



Dave Yost • Auditor of State

VILLAGE OF FRANKFORT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 09, 2012