



***VILLAGE OF FRANKFORT
ROSS COUNTY***

Regular Audit

**For the Years Ended
December 31, 2013 and 2012**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Member of Council
Village of Frankfort
PO 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, 2012 to December 31, 2013. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 20, 2014

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Independent Auditor's Report

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Frankfort, Ross County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Frankfort, Ross County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2014 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

April 14, 2014

VILLAGE OF FRANKFORT, ROSS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2013

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Local Taxes	\$43,258	\$0	\$43,258
Intergovernmental	32,101	43,344	75,445
Fines, Licenses, and Permits	23,285	0	23,285
Earnings on Investments	909	260	1,169
Miscellaneous	0	50	50
Total Cash Receipts	<u>99,553</u>	<u>43,654</u>	<u>143,207</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	67,638	0	67,638
Security of Persons and Property	11,504	0	11,504
Leisure Time Activities	4,309	0	4,309
Basic Utility Services	15,851	0	15,851
Transportation	0	22,959	22,959
Capital Outlay	20,271	0	20,271
Total Cash Disbursements	<u>119,573</u>	<u>22,959</u>	<u>142,532</u>
Cash Receipts Over(Under) Cash Disbursements	(20,020)	20,695	675
<u>Other Financing Sources(Uses):</u>			
Other Financing Sources	5,604	0	5,604
Transfers Out	(56,583)	0	(56,583)
Total Other Financing Sources (Uses)	<u>(50,979)</u>	<u>0</u>	<u>(50,979)</u>
Excess of Cash Receipts and Other Financing Sources Over(Under) Cash Disbursements and Other Financing Uses	(70,999)	20,695	(50,304)
Fund Cash Balances, January 1	<u>490,388</u>	<u>375,054</u>	<u>865,442</u>
Restricted	0	380,599	380,599
Committed	0	15,150	15,150
Unassigned	419,389	0	419,389
Fund Cash Balances, December 31	<u><u>\$419,389</u></u>	<u><u>\$395,749</u></u>	<u><u>\$815,138</u></u>

See accompanying notes to the financial statements.

VILLAGE OF FRANKFORT, ROSS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types
For the Year Ended December 31, 2013

	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$457,420
Total Operating Cash Receipts	457,420
<u>Operating Cash Disbursements:</u>	
Personal Services	114,560
Employee Fringe Benefits	29,184
Contractual Services	101,684
Supplies and Materials	23,336
Other	2,852
Total Operating Cash Disbursements	271,616
Operating Income (Loss)	185,804
<u>Non-Operating Cash Receipts (Disbursements):</u>	
Earnings on Investment	1,182
Miscellaneous Receipts	38
Capital Outlay	(20,085)
Principal Retirement	(125,863)
Interest and Fiscal Charges	(38,885)
Total Non-Operating Cash Receipts (Disbursements)	(183,613)
Operating Income (Loss) Before Transfers	2,191
Transfers In	56,583
Net Receipts Over(Under) Disbursements	58,774
Fund Cash Balances, January 1	543,500
<i>Fund Cash Balances, December 31</i>	\$602,274

See accompanying notes to the financial statements.

VILLAGE OF FRANKFORT, ROSS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2012

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>Cash Receipts:</u>			
Property and Local Taxes	\$49,069	\$0	\$49,069
Intergovernmental	45,127	49,952	95,079
Fines, Licenses, and Permits	23,569	0	23,569
Earnings on Investments	2,827	776	3,603
Miscellaneous	0	50	50
Total Cash Receipts	<u>120,592</u>	<u>50,778</u>	<u>171,370</u>
<u>Cash Disbursements:</u>			
<i>Current:</i>			
General Government	81,370	0	81,370
Security of Persons and Property	16,341	0	16,341
Leisure Time Activities	2,349	0	2,349
Basic Utility Services	16,882	0	16,882
Transportation	0	18,116	18,116
Capital Outlay	549	0	549
Total Cash Disbursements	<u>117,491</u>	<u>18,116</u>	<u>135,607</u>
Cash Receipts Over(Under) Cash Disbursements	3,101	32,662	35,763
<u>Other Financing Sources(Uses):</u>			
Other Financing Sources	9,891	0	9,891
Transfers Out	<u>(20,833)</u>	<u>0</u>	<u>(20,833)</u>
Total Other Financing Sources (Uses)	<u>(10,942)</u>	<u>0</u>	<u>(10,942)</u>
Excess of Cash Receipts and Other Financing Sources Over(Under) Cash Disbursements and Other Financing Uses	(7,841)	32,662	24,821
Fund Cash Balances, January 1	<u>498,229</u>	<u>342,392</u>	<u>840,621</u>
Restricted	0	369,422	369,422
Committed	0	5,632	5,632
Unassigned	490,388	0	490,388
Fund Cash Balances, December 31	<u><u>\$490,388</u></u>	<u><u>\$375,054</u></u>	<u><u>\$865,442</u></u>

See accompanying notes to the financial statements.

VILLAGE OF FRANKFORT, ROSS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Proprietary Fund Types
For the Year Ended December 31, 2012

	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$449,287
Total Operating Cash Receipts	449,287
<u>Operating Cash Disbursements:</u>	
Personal Services	114,599
Employee Fringe Benefits	27,641
Contractual Services	100,813
Supplies and Materials	28,570
Other	3,600
Total Operating Cash Disbursements	275,223
Operating Income (Loss)	174,064
<u>Non-Operating Cash Receipts (Disbursements):</u>	
Intergovernmental	352,622
Earnings on Investment	0
Miscellaneous Receipts	8,003
Sale of Bonds	1,060,000
Proceeds of Loans	89,956
Capital Outlay	(460,758)
Principal Retirement	(1,120,172)
Interest and Fiscal Charges	(15,865)
Total Non-Operating Cash Receipts (Disbursements)	(86,214)
Operating Income (Loss) Before Transfers	87,850
Transfers In	20,833
Net Receipts Over(Under) Disbursements	108,683
Fund Cash Balances, January 1	434,817
<i>Fund Cash Balances, December 31</i>	543,500

See accompanying notes to the financial statements.

VILLAGE OF FRANKFORT, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

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

A. Basis of Accounting

The Village's financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. This method differs from generally accepted accounting principles because receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

B. Fund Accounting

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

General Fund: The General Fund is the general operating fund. It is used to account for all financial resources, except those required by law or contracted to be restricted.

Special Revenue Funds: These funds are used to account for proceeds from specific sources (other than trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

Enterprise Funds: These funds are used to account for any activities for which a fee is charged to external users for goods or services. The Village has the following significant Enterprise Funds:

Water Fund -This fund accounts for the provision of water to the residents and commercial users located within the Village. The fund also accounts for the debt related to the expansion of the water treatment facilities.

Sewer Fund - This fund accounts for the provision of 10 % of the water receipts being saved towards a Sewer Project.

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

VILLAGE OF FRANKFORT, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 – Summary of Significant Accounting Policies (continued)

C. Budgetary Process

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

Appropriations: Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations may not exceed estimated resources. Unencumbered appropriations lapse at year end.

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

Encumbrances: The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 4.

D. Fund Balances

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

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

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

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

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

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

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

VILLAGE OF FRANKFORT, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 2 – Summary of Significant Accounting Policies (continued)

E. Property, Plant and Equipment

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

F. Accumulated Leave

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

Note 3 – Cash and Investments

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at year end was as follows:

	December 31, 2013	December 31, 2012
Demand Deposits	\$612,156	\$504,398
Total	\$612,156	\$504,398

Deposits: Deposits are insured by the Federal Depository Insurance Corporation and collateralized by the financial institution's public entity deposit pool.

Investments

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

	2013 Carrying Value	2012 Carrying Value	Maturity
Certificate of Deposit	\$60,000	\$60,000	6 Months
Money Market	745,256	844,544	
Total	\$805,256	\$904,544	

VILLAGE OF FRANKFORT, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 4 – Budgetary Basis of Accounting

The Village’s budgetary activity for the years ending December 31, 2013 and December 31, 2012 was as follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$109,084	\$105,157	(\$3,927)
Special Revenue	47,250	43,654	(3,596)
Enterprise	480,148	515,223	35,075
<i>Total</i>	\$636,482	\$664,034	\$27,552

2013 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$352,933	\$176,156	\$176,777
Special Revenue	88,597	22,959	65,638
Enterprise	623,131	456,449	166,682
<i>Total</i>	\$1,064,661	\$655,564	\$409,097

VILLAGE OF FRANKFORT, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 4 – Budgetary Basis of Accounting - (Continued)

2012 Budgeted vs. Actual Receipts

Fund Type	Receipts		Variance
	Budgeted	Actual	
General	\$117,574	\$130,483	\$12,909
Special Revenue	47,300	50,778	3,478
Enterprise	2,643,942	1,980,701	(663,241)
<i>Total</i>	\$2,808,816	\$2,161,962	(\$646,854)

2012 Budgeted vs. Actual Budgetary Disbursements

Fund Type	Appropriation	Budgetary	Variance
	Authority	Disbursements	
General	\$292,729	\$138,324	\$154,405
Special Revenue	87,997	18,116	69,881
Enterprise	2,744,563	1,872,018	872,545
<i>Total</i>	\$3,125,289	\$2,028,458	\$1,096,831

Note 5- Property Taxes

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

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

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

VILLAGE OF FRANKFORT, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 6- Long-Term Obligations

A schedule of changes in long-term obligations of the Village during 2013 follows:

	Interest Rate	Balance December 31, 2012	Additions	Reductions	Balance December 31, 2013
<i>Enterprise Funds:</i>					
OWDA Wastewater Treatment Plant	4.56%	\$283,056	\$0	\$90,130	\$192,926
OPWC Water-Treatment Plant	0.00%	143,750	0	12,500	131,250
OPWC Waterline Replacement Phase 1	0.00%	241,667	0	8,333	233,334
Water System Mortgage Revenue Bonds	2.75%	1,060,000	0	14,900	1,045,100
Total Enterprise Funds		\$1,728,473	\$0	\$125,863	\$1,602,611

A schedule of changes in long-term obligations of the Village during 2012 follows:

	Interest Rate	Balance December 31, 2011	Additions	Reductions	Balance December 31, 2012
<i>Enterprise Funds:</i>					
OWDA Wastewater Treatment Plant	4.56%	\$369,213	\$0	\$86,157	\$283,056
OWDA Waterline & Tank Replacement	1.29%	929,476	89,956	1,019,432	0
OPWC Water-Treatment Plant	0.00%	150,000	0	6,250	143,750
OPWC Waterline Replacement Phase 1	0.00%	250,000	0	8,333	241,667
Water System Mortgage Revenue Bonds	2.75%	0	1,060,000	0	1,060,000
Total Enterprise Funds		\$1,698,689	\$1,149,956	\$1,120,172	\$1,728,473

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 semi-annual 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 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 Ohio Public Works Commission (OPWC) loan is an interest free loan the Village received to replace water lines. The loan is being repaid in annual installments of \$8,333. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

In June 2012, the Village issued \$1,060,000 in Water System Mortgage Revenue Bonds for 40 years with 2.75 percent interest. These bonds paid off the OWDA Waterline and Tank Replacement loan. The bonds are secured by water receipts. The Village has agreed to set utility rates sufficient to cover debt service requirements.

VILLAGE OF FRANKFORT, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 6- Long-Term Obligations – (Continued)

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

Year Ending December 31	1995 OWDA		2004 OPWC		2011 OPWC		2012 Mortgage Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$94,286	\$7,735	\$12,500	\$0	\$8,333	\$0	\$15,300	\$27,153	\$130,419	\$34,888
2015	98,640	3,385	12,500	0	8,333	0	15,700	28,740	135,174	32,125
2016	0	0	12,500	0	8,333	0	16,100	28,319	36,933	28,319
2017	0	0	12,500	0	8,333	0	16,600	27,964	37,433	27,964
2018	0	0	12500	0	8,333	0	17,000	27,445	37,833	27,445
2019-2023	0	0	62,500	0	41,665	0	92,500	127,727	196,665	127,727
2024-2028	0	0	6,250	0	41,665	0	105,900	114,349	153,815	114,349
2029-2033	0	0	0	0	41,665	0	121,200	98,895	162,865	98,895
2034-2038	0	0	0	0	41,665	0	138,900	81,272	180,565	81,272
2039-2043	0	0	0	0	25,009	0	159,100	61,082	184,099	61,082
2044-2048	0	0	0	0	0	0	182,200	37,981	182,200	37,981
2049-2052	0	0	0	0	0	0	164,600	11,470	164,600	11,470
Total	<u>\$192,926</u>	<u>\$11,120</u>	<u>\$131,250</u>	<u>\$0</u>	<u>\$233,334</u>	<u>\$0</u>	<u>\$1,045,100</u>	<u>\$672,397</u>	<u>\$1,602,601</u>	<u>\$683,517</u>

Note 7 – Interfund Transfers

During 2013 and 2012 the following transfers were made:

	<u>2013</u>	<u>2012</u>
Transfers from the General Fund to:		
Water Operating	<u>\$56,583</u>	<u>\$20,833</u>
Total Transfers from the General Fund	<u>\$56,583</u>	<u>\$20,833</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.

VILLAGE OF FRANKFORT, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 8 – Risk Management

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

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

Casualty and Property Coverage

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

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	(14,208,353)	(14,187,273)
Retained earnings	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Government's share of these unpaid claims collectible in future years is approximately \$12,714.

VILLAGE OF FRANKFORT, ROSS COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

Note 8 – 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.

Contribution to PEP

2013	\$8,750
2012	\$7,650
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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 9 – Retirement Systems

The Village's elected officials contribute to Social Security. Contribution rates for 2013 and 2012 were 6.2% for employee and employer.

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS are a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans benefits, which include postretirement healthcare and survivor and disability benefits. Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, the OPERS member contributed 10% of gross salary and the Village contributed an amount equaling 14% of the participant's gross salary. The Village has paid all contributions required through December 31, 2013.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Frankfort, Ross County, Ohio (the Village), as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated April 14, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material misstatement, yet important enough to merit attention by those charged with governance. We consider finding 2013-001 described in the accompanying Schedule of Findings to be a material weakness.

Village Council
Village of Frankfort, Ross County
Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instance of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

April 14, 2014

VILLAGE OF FRANKFORT, ROSS COUNTY
Schedule of Findings
For the Years Ended December 31, 2013 and 2012

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

Finding Number 2013-001

Financial Record Keeping - Material Weakness

Ohio Rev. Code Section 733.28, provides, in part, that the Village Fiscal Officer shall keep the books of the Village and exhibit accurate statements of all monies received and expended.

The Village did not properly post the following transactions to the proper account codes, and therefore reported materially incorrect account classifications in the Village's annual financial report:

Item	Amount	Fund Type	Proper Classification	Reported As
2013				
Fund Balance	\$15,150	Special Revenue	Committed	Restricted

The Village corrected the accompanying financial statements.

Failure to properly post transactions resulted in transactions being inaccurately classified in the annual report and inaccurate fund balances. The Fiscal Officer agreed to the reclassifications to correctly report the above items, and the reclassifications were posted to the accompanying financial statements. The Fiscal Officer should review the chart of accounts in the Ohio Village Handbook to assure that items are being posted to the proper funds and account codes.

Officials' Response

The Village Officials are taking the necessary steps to ensure future compliance.

VILLAGE OF FRANKFORT, ROSS COUNTY
Schedule of Prior Audit Findings
For the Year Ended December 31, 2013 and 2012

Description	Status	Comments
Government Auditing Standards:		
<i>1. Material Weakness</i> – audit adjustments were made to correct the Financial Statements.	Not Corrected	Reissued as finding 2013-001.

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Dave Yost • Auditor of State

VILLAGE OF FRANKFORT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 3, 2014