



PERRY

& Associates CPAs

PASSION *Beyond the Numbers*

**VILLAGE OF FRANKFORT
ROSS COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 30, 2021 - 2020**

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Frankfort
20 North Main Street
P. O. Box 351
Frankfort, Ohio 45628

We have reviewed the *Independent Auditor's Report* of the Village of Frankfort, Ross County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2020 through December 31, 2021. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 22, 2023

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VILLAGE OF FRANKFORT
ROSS COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2021	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2021	5
Notes to the Financial Statements For the Year Ended December 31, 2021	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2020	14
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2020	15
Notes to the Financial Statements For the Year Ended December 31, 2020	16
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	24
Schedule of Audit Findings	26
Summary Schedule of Prior Audit Findings (Prepared by Management)	29

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Qualified and Adverse Opinions

We have audited the financial statements of the Village of Frankfort, Ross County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes of the Village of Frankfort, Ross County in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position or, where applicable, cash flows thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Basis for Qualified Opinion on Regulatory Basis of Accounting

The Village Council did not make a prior period proposed audit adjustment to allocate debt payments made from the General Fund to the Water Treatment Plant Rehabilitation Debt Service Fund and the Waterline Replacement Debt Service Fund of \$6,250 and \$4,167, respectively. Due to the impact this adjustment would have on the Debt Service Funds, the Village was unable to make this adjustment.

The Village Council did not comply with requirements concerning interfund transfers in 2019 or 2020. Funds, in the amount of \$44,021 and \$69,388, respectively, were transferred from the Water Operating Fund to the Waterline Replacement and Elevation Fund without Council approval. Due to the impact these adjustments would have on the Waterline Replacement and Elevation Fund, the Village was unable to make these adjustments.

Had the posting errors noted in the preceding paragraphs been properly posted to the financial statements and the accounting system; the General Fund cash fund balance would have been increased \$10,417; the Water Treatment Plant Rehabilitation Debt Service Fund cash fund balance would have decreased \$6,250; the Waterline Replacement Debt Service Fund cash fund balance would have decreased \$4,167; the Water Operating Fund cash fund balance would have increased \$113,409; and the Waterline Replacement and Elevation Fund cash fund balance would have decreased \$113,409.

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

January 31, 2023

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 55,615	\$ -	\$ 55,615
Intergovernmental	95,961	62,604	158,565
Fines, Licenses and Permits	24,846	-	24,846
Earnings on Investments	159	29	188
Miscellaneous	5,496	2,293	7,789
<i>Total Cash Receipts</i>	<u>182,077</u>	<u>64,926</u>	<u>247,003</u>
Cash Disbursements			
Current:			
Security of Persons & Property	17,967	-	17,967
Public Health Services	-	1,738	1,738
Leisure Time Activities	3,904	2,000	5,904
Basic Utility Services	5,368	-	5,368
Transportation	-	22,059	22,059
General Government	79,053	-	79,053
Capital Outlay	11,751	164	11,915
<i>Total Cash Disbursements</i>	<u>118,043</u>	<u>25,961</u>	<u>144,004</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>64,034</u>	<u>38,965</u>	<u>102,999</u>
<i>Fund Cash Balances, January 1</i>	<u>156,351</u>	<u>283,894</u>	<u>440,245</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 220,385</u>	<u>\$ 322,859</u>	<u>\$ 543,244</u>

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Enterprise
Operating Cash Receipts	
Charges for Services	526,164
<i>Total Operating Cash Receipts</i>	526,164
Operating Cash Disbursements	
Personal Services	83,461
Fringe Benefits	13,164
Contractual Services	181,814
Supplies and Materials	43,814
Other	2,362
<i>Total Operating Cash Disbursements</i>	324,615
<i>Operating Income (Loss)</i>	201,549
Non-Operating Receipts (Disbursements)	
Intergovernmental Receipts	59,230
Other Debt Proceeds	1,149
Miscellaneous Receipts	935
Capital Outlay	(63,967)
Principal Retirement	(118,849)
Interest and Other Fiscal Charges	(25,545)
<i>Total Non-Operating Receipts (Disbursements)</i>	(147,047)
<i>Net Change in Fund Cash Balance</i>	54,502
<i>Fund Cash Balances, January 1</i>	1,438,694
<i>Fund Cash Balances, December 31</i>	1,493,196

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

Village Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 1 – Reporting Entity

The Village of Frankfort (the Village), Ross County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Ross County Sheriff's department to provide security of persons and property. The Village contracts with Concord Township Fire Department to receive fire protection services. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7, to the financial statements provides additional information for this entity. 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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

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

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Brad Lightle Memorial Fund The Memorial Park Fund accounts for and reports donations and general fund transfers that are committed to fund construction and maintenance of the park.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

Village Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each 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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2021 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Village Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Water Operating, Sewer Operating, and the Water Deposit Funds by \$91,123, \$101,767, and \$362, respectively for the year ended December 31, 2021. Also contrary to Ohio law, at December 31, 2021, appropriations exceeded estimated resources in all funds since the Village did not file its certificate of estimated resources with the County Auditor.

Village Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ -	\$ 182,077	\$ 182,077
Special Revenue	-	64,926	64,926
Enterprise	-	587,478	587,478
Total	\$ -	\$ 834,481	\$ 834,481

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 161,386	\$ 120,313	\$ 41,073
Special Revenue	127,394	25,990	101,404
Enterprise	349,455	543,857	(194,402)
Total	\$ 638,235	\$ 690,160	\$ (51,925)

Note 5 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2021
Cash Management Pool:	
Demand deposits	\$ 2,036,440
Total deposits	\$ 2,036,440

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2021, the village is holding \$2,690 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 6 – Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 7 – Risk Management

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2021</u>
Cash and Investments	\$ 41,996,850
Actuarial Liabilities	\$ 14,974,099

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2021.

Village Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021.

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA- Mortgage Revenue Bonds	\$ 910,400	2.75%
OPWC-CO18E WWTP Rehabilitation	31,250	0%
OPWC-CT83M Waterline Replacement	166,666	0%
OPWC-CT53S Main Street Lift Station	115,544	0%
Total	<u>\$ 1,223,860</u>	

The Ohio Water Development Authority (OWDA) loan 7261 relates to a water and sewer planning project. The OWDA approved up to \$70,050 in loans to the Village for this project. The Village will repay the loans in semiannual installments over 5 years. The OWDA will adjust scheduled payment to reflect any revisions in the amounts the Village actually borrows. Water and Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the OWDA debt service requirements. No amortization schedule was available for scheduling. This loan was repaid in 2021.

The Ohio Public Works Commission (OPWC) loan CT83M relates to a water and sewer plant expansion project to replace water lines. The Village will repay the loans in semiannual interest free installment of \$4,167. Village has agreed to set utility rates to cover debt requirements.

The Ohio Public Works Commission (OPWC) loan CO18E relates to a water and sewer plant expansion project to replace water lines. The Village will repay the loans in semiannual interest free installment of \$6,250. The Village transfers General Fund monies to repay debt.

The Ohio Public Works Commission (OPWC) loan CT53S relates to a Main Street lift station project. The Village will repay the loans in semiannual interest free installment of \$2,222.

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

Village Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 10 – Debt (Continued)

Amortization

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

Year Ending December 31:	OPWC CO18E	OPWC CT83M	OPWC CT53S	USDA Bonds
2022	\$ 12,500	\$ 8,334	\$ 4,444	\$ 44,036
2023	12,500	8,334	4,444	44,014
2024	6,250	8,334	4,444	44,043
2025	-	8,334	4,444	44,027
2026	-	8,334	4,444	44,061
2027-2031	-	41,670	22,220	220,104
2032-2036	-	41,670	22,220	220,261
2037-2041	-	41,656	22,220	220,184
2042-2046	-	-	22,220	220,085
2047-2051	-	-	4,444	220,206
2052-2056	-	-	-	43,980
Total	<u>\$ 31,250</u>	<u>\$ 166,666</u>	<u>\$ 115,544</u>	<u>\$ 1,365,001</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Total
Outstanding Encumbrances	\$ 2,270	\$ 29	\$ 2,299
<i>Total</i>	<u>\$ 2,270</u>	<u>\$ 29</u>	<u>\$ 2,299</u>

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Village Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 54,093	\$ -	\$ 54,093
Intergovernmental	37,126	149,588	186,714
Fines, Licenses and Permits	24,576	-	24,576
Earnings on Investments	923	115	1,038
Miscellaneous	17,434	100	17,534
<i>Total Cash Receipts</i>	<u>134,152</u>	<u>149,803</u>	<u>283,955</u>
Cash Disbursements			
Current:			
Security of Persons & Property	19,878	-	19,878
Public Health Services	-	87,716	87,716
Leisure Time Activities	1,956	-	1,956
Basic Utility Services	3,179	-	3,179
Transportation	-	23,710	23,710
General Government	74,480	-	74,480
<i>Total Cash Disbursements</i>	<u>99,493</u>	<u>111,426</u>	<u>210,919</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>34,659</u>	<u>38,377</u>	<u>73,036</u>
<i>Fund Cash Balances, January 1 (Restated See Note 15)</i>	<u>121,692</u>	<u>245,517</u>	<u>367,209</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 156,351</u>	<u>\$ 283,894</u>	<u>\$ 440,245</u>

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Enterprise
Operating Cash Receipts	
Charges for Services	566,363
<i>Total Operating Cash Receipts</i>	566,363
Operating Cash Disbursements	
Personal Services	82,301
Fringe Benefits	13,918
Contractual Services	202,796
Supplies and Materials	42,145
Other	26,472
<i>Total Operating Cash Disbursements</i>	367,632
<i>Operating Income (Loss)</i>	198,731
Non-Operating Receipts (Disbursements)	
Special Assessments	1,386
Other Debt Proceeds	1,613
Miscellaneous Receipts	7,100
Capital Outlay	(1,613)
Principal Retirement	(196,039)
Interest and Other Fiscal Charges	(26,040)
<i>Total Non-Operating Receipts (Disbursements)</i>	(213,593)
<i>Income (Loss) before Transfers</i>	(14,862)
Transfers In	69,388
Transfers Out	(69,388)
<i>Net Change in Fund Cash Balance</i>	(14,862)
<i>Fund Cash Balances, January 1</i>	1,453,556
<i>Fund Cash Balances, December 31</i>	1,438,694

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

Village of Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Village of Frankfort (the Village), Ross County, 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. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police services. The Village contracts with the Ross County Sheriff's department to provide security of persons and property. The Village contracts with Concord Township Fire Department to receive fire protection services. The Village appropriates general fund money to support a volunteer fire department.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7, to the financial statements provides additional information for this entity. 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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary fund types which are all organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

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

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

Street Construction Maintenance and Repair The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

Brad Lightle Memorial Fund The Memorial Park Fund accounts for and reports donations and general fund transfers that are committed to fund construction and maintenance of the park.

Enterprise Funds These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

Village of Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

The Ohio Revised Code requires that each 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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2020 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

Village of Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer Operating Fund by \$33,845 for the year ended December 31, 2020. Also contrary to Ohio law, at December 31, 2020, appropriations exceeded estimated resources in the Coronavirus Relief Fund, Waterline Replacement and Tank Elevation and the Water Deposit Funds by \$89,453, \$4,534, and \$21,387, respectively.

Village of Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 181,525	\$ 134,152	\$ (47,373)
Special Revenue	45,800	149,803	104,003
Enterprise	586,209	645,850	59,641
Total	\$ 813,534	\$ 929,805	\$ 116,271

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 107,094	\$ 99,493	\$ 7,601
Special Revenue	140,360	113,164	27,196
Enterprise	641,609	660,712	(19,103)
Total	\$ 889,063	\$ 873,369	\$ 15,694

Note 5 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

	2020
Cash Management Pool:	
Demand deposits	\$ 1,878,939
Total deposits	\$ 1,878,939

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the village is holding \$3,621 in unremitted employee payroll withholdings.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Village of Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 7 – Risk Management

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and Investments	\$ 40,318,971
Actuarial Liabilities	\$ 14,111,510

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

Village of Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 9– Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020.

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

	Principal	Interest Rate
USDA Mortgage Revenue Bonds	\$ 928,900	2.75%
OPWC- CO18E WWTP Rehabilitation	50,000	0.00%
OPWC CT83M Waterline Replacement	179,166	0.00%
OPWC CT53S Main Street Lift Station	122,210	0.00%
OWDA 7261 Sewer System Planning	61,284	3.25%
Total	\$ 1,341,560	

The Ohio Water Development Authority (OWDA) loan 6660 relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$180,056 in loans to the Village for this project. The Village will repay the loans in semiannual installments over 5 years. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. This loan was paid in full in 2020.

The Ohio Water Development Authority (OWDA) loan 7261 relates to a water and sewer planning project. The OWDA approved up to \$70,050 in loans to the Village for this project. The Village will repay the loans in semiannual installments over 5 years. The OWDA will adjust scheduled payment to reflect any revisions in the amounts the Village actually borrows. Water and Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover the OWDA debt service requirements. No amortization schedule was available for scheduling.

The Ohio Public Works Commission (OPWC) loan CT83M relates to a water and sewer plant expansion project to replace water lines. The Village will repay the loans in semiannual interest free installment of \$4,167. Village has agreed to set utility rates to cover debt requirements.

The Ohio Public Works Commission (OPWC) loan CO18E relates to a water and sewer plant expansion project to replace water lines. The Village will repay the loans in semiannual interest free installment of \$6,250. The Village transfers General Fund monies to repay debt.

The Ohio Public Works Commission (OPWC) loan CT53S relates to a Main Street lift station project. The Village will repay the loans in semiannual interest free installment of \$2,222.

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

Village of Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt (Continued)

Amortization

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

Year Ending December 31:	OPWC CO18E	OPWC CT83M	OPWC CT53S	USDA Bonds
2021	\$ 12,500	\$ 8,334	\$ 4,444	\$ 44,111
2022	12,500	8,334	4,444	44,036
2023	12,500	8,334	4,444	44,014
2024	12,500	8,334	4,444	44,043
2025	-	8,334	4,444	44,027
2026-2030	-	41,670	22,220	220,179
2031-2035	-	41,670	22,220	220,136
2036-2040	-	41,670	22,220	220,263
2041-2045	-	12,486	22,220	220,102
2046-2050	-	-	11,110	220,197
2051-2055	-	-	-	88,004
Total	<u>\$ 50,000</u>	<u>\$ 179,166</u>	<u>\$ 122,210</u>	<u>\$ 1,409,112</u>

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	Special Revenue	Total
Outstanding Encumbrances	<u>\$ 1,738</u>	<u>\$ 1,738</u>
<i>Total</i>	<u><u>\$ 1,738</u></u>	<u><u>\$ 1,738</u></u>

The fund balance of special revenue funds is either restricted or committed. These restricted, committed and assigned amounts in the special revenue fund would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Village of Frankfort
Ross County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 13 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$30,000 was sub-granted to other governments and organization. These amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Note 15 – Restatement of Beginning Fund Balance

The General Fund balance was restated as of January 1, 2020 due to voided checks. The effect of this restatement is noted below:

	General Fund
Ending Fund Balance at December 31, 2019	\$ 120,908
Restatement	784
Restated Fund Balance January 1, 2020	\$ 121,692

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

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

To the Village Council:

We have audited, 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, the financial statements of the cash balances, receipts, and disbursements as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of Village of Frankfort, Ross County, (the Village) and have issued our report thereon dated January 31, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(D) permit. We qualified our opinion due to the Village being unable to post adjustments between funds.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2021-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2021-002 and 2021-003.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

January 31, 2023

VILLAGE OF FRANKFORT
ROSS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

FINDING NUMBER 2021-001

Material Weakness

Financial Reporting

The Village is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting.

During 2021 and 2020, receipts and disbursements were not always posted or classified correctly. The following posting errors were noted:

- In 2020, Principal Retirement and Interest payments in the Wastewater Line & Tank Elevation Fund and Sewer Operating Fund were recorded as Capital Outlay and Contractual Services;
- In 2020 and 2021, debt proceeds in the Sewer Operating Fund from OWDA loans were not recorded on the financial statements;
- In 2020 and 2021, Property Tax Settlements in the General Fund were recorded at net instead of gross value;
- In 2020 and 2021, Miscellaneous receipts in the General Fund were recorded as Other Financing Sources;
- In 2021, Intergovernmental receipts in the General Fund were recorded as Other Financing Sources; and
- In 2021, Capital Outlay expenses in the General Fund were recorded as Other Financing Uses.

Not posting disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassification and adjusting entries. The financial statements reflect all reclassifications and adjustments. The Village has made these adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of disbursement accounts and posting of disbursements.

Management's Response – Officials did not provide a response to this finding.

VILLAGE OF FRANKFORT
ROSS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2021-002

Significant Deficiency/ Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing Council expresses its desires for using a government's limited resources through its appropriations. Ohio Revised Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

- Violations of 5705.39 indicating appropriations cannot exceed estimated resources;
- Violation of 5705.14 relating to the approval of transfers.
- Violations of 5705.36 indicating the Village did not file a certificate of estimated resources with the County Auditor.

Although the Council approves budgets for revenue and expenses and receives monthly reports of budget and actual information, it does not ensure budgetary forms are properly completed, submitted to the County Budget Commission timely.

The Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections. If the Council does not consider these necessary steps should be taken to make sure amounts are encumbered (purchase orders are used and assigned to each purchase prior to ordering), certifications of available funds are done by the Village Fiscal Officer prior to purchasing and unencumbered balances are tracked for each line item.

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in varying amounts posted to the accounting system and information available to the Village Officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

Ohio Revised Code Section 5705.14 states, in part, no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as outlined in the section. Section (I) states, in part, except in the case of transfer pursuant to division (E) of this section, transfers authorized by this section shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

In 2020, the Village \$69,388 from the Water Operating Fund to the Waterline Replacement and Elevation Fund. The transfers were not properly approved. However, due to the effect it would have on the Waterline Replacement and Elevation Fund, the financial statements and the Village's system were not adjusted to reverse the \$69,388 transfer.

We recommend the Village implement procedures to ensure estimated receipts and appropriations are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment. The Village should implement procedures to properly approve all interfund activity such as transfers to improve financial reporting and accountability.

Management's Response – We did not receive a response from officials to this finding.

VILLAGE OF FRANKFORT
ROSS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2021-003

Noncompliance

Ohio Revised Code Section 149.43 states that all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. In order to facilitate broader access to public records, public offices shall maintain public records in such a manner that they can be made available for inspection. Every public office must have a policy in place for compliance with Public Records Laws.

Ohio Revised Code Section 149.43(E)(1) states, in part, to ensure that all employees of public offices are appropriately educated about a public office's obligations under division (B) of this section, all elected officials or their appropriate designees shall attend training approved by the attorney general as provided in section 109.43 of the Revised Code.

Ohio Revised Code Section 149.43(E)(2) states, in part, that all public offices shall adopt a public records policy in compliance with this section for responding to public records requests. In adopting a public records policy under this division, a public office may obtain guidance from the model public records policy developed and provided to the public office by the attorney general under section 109.03 of the Revised Code. Except as otherwise provided in this section, the policy may not limit the number of public records that the public office will make available to a single person, may not limit the number of public records that it will make available during a fixed period of time, and may not establish a fixed period of time before it will respond to a request for inspection or copying of public records, unless that period is less than eight hours.

Ohio Revised Code Section 149.43(E)(2) states that the public office shall distribute the public records policy adopted by the public office under division (E)(1) of this section to the employee of the public office who is the records custodian or records manager or otherwise has custody of the records of that office. The public office shall require that employee to acknowledge receipt of the copy of the public records policy. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site. A public office that has established a manual or handbook of its general policies and procedures for all employees of the public office shall include the public records policy of the public office in the manual or handbook.

Village did not adopt a public records policy or attend the required training during the audit period.

The Village should adopt a public records policy and post it in accordance with the above requirements, ensure all elected officials or appropriate designees have obtained public records training, and should also have a current records retention schedule readily available to the public. The Village may refer to the model public records policy on the Attorney General's website. Failure to do so could result in public records not being properly retained and provided timely to the public.

Management's Response – Officials did not provide a response to this finding.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2021 AND 2020**

Finding Number	Finding Summary	Status	Additional Information
2019-001	Financial Reporting	Not Corrected	Repeated as Finding 2021-001
2019-002	Ohio Revised Code Section 5705.41(D)	Partially Corrected	Moved to Management Letter
2019-003	Ohio Revised Code Section 149.43	Not Corrected	Repeated as Finding 2021-003

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF FRANKFORT

ROSS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/4/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov