



Certified Public Accountants, A.C.

**VILLAGE OF FRANKFORT
ROSS COUNTY
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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Dave Yost • Auditor of State

Village Council
Village of Frankfort
20 North Main Street
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, 2016 through December 31, 2017. 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

July 27, 2018

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VILLAGE OF FRANKFORT
ROSS COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 29, 2018

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of **Village of Frankfort**, Ross County (the Village) as of and for the years ended December 31, 2017 and 2016.

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(D) 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 statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control 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 opinions.

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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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2017 and 2016, 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Frankfort, Ross County as of December 31, 2017 and 2016, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, 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.



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

**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, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 27,490	\$ -	\$ 27,490
Intergovernmental	29,081	44,025	73,106
Fines, Licenses and Permits	22,710	-	22,710
Earnings on Investments	709	129	838
Miscellaneous	-	50	50
	<hr/>	<hr/>	<hr/>
<i>Total Cash Receipts</i>	79,990	44,204	124,194
	<hr/>	<hr/>	<hr/>
Cash Disbursements			
Current:			
Security of Persons and Property	18,082	-	18,082
Leisure Time Activities	3,876	-	3,876
Basic Utility Services	20,755	-	20,755
Transportation	511	286,208	286,719
General Government	74,532	-	74,532
Capital Outlay	-	9,431	9,431
	<hr/>	<hr/>	<hr/>
<i>Total Cash Disbursements</i>	117,756	295,639	413,395
	<hr/>	<hr/>	<hr/>
<i>Excess of Receipts (Under) Disbursements</i>	(37,766)	(251,435)	(289,201)
	<hr/>	<hr/>	<hr/>
Other Financing Receipts			
Other Financing Sources	3,601	-	3,601
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Receipts</i>	3,601	-	3,601
	<hr/>	<hr/>	<hr/>
<i>Net Change in Fund Cash Balances</i>	(34,165)	(251,435)	(285,600)
	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balances, January 1</i>	131,043	438,338	569,381
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31			
Restricted	-	185,271	185,271
Committed	-	1,632	1,632
Assigned	79,190	-	79,190
Unassigned	17,688	-	17,688
	<hr/>	<hr/>	<hr/>
<i>Fund Cash Balances, December 31</i>	<u>\$ 96,878</u>	<u>\$ 186,903</u>	<u>\$ 283,781</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, 2017**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 528,328
<i>Total Operating Cash Receipts</i>	528,328
Operating Cash Disbursements	
Personal Services	98,301
Employee Fringe Benefits	16,034
Contractual Services	125,572
Supplies and Materials	16,468
Other	633
<i>Total Operating Cash Disbursements</i>	257,008
<i>Operating Income</i>	271,320
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	8,059
Miscellaneous Receipts	1,239
Capital Outlay	(28,687)
Principal Retirement	(47,667)
Interest and Other Fiscal Charges	(27,445)
<i>Total Non-Operating Receipts (Disbursements)</i>	(94,501)
<i>Income before Transfers</i>	176,819
Transfers In	44,045
Transfers Out	(44,045)
<i>Net Change in Fund Cash Balances</i>	176,819
<i>Fund Cash Balances, January 1</i>	934,861
<i>Fund Cash Balances, December 31</i>	\$ 1,111,680

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, 2017**

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Frankfort, Ross County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Ross County Sheriff's department to provide security of persons and property. The Village contracts with Concord Township to receive fire protection services. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 9 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

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.

C. 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.

D. 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:

1. General Fund

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

2. 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:

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Brad Lightle Memorial Park Fund – This fund receives donations and general fund transfers to fund construction and maintenance of the park.

3. 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 Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund received 10% of charge of water receipts being saved toward 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.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

2. 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.

3. 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 2017 budgetary activity appears in Note 5.

VILLAGE OF FRANKFORT
ROSS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

3. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2017
Demand deposits	\$664,218
Other time deposits (savings and NOW accounts)	731,243
Total deposits	1,395,461

Deposits: The Village's deposits are collateralized by the financial institution's public entity deposit pool. The financial institution is in the process of joining OPCS; however, at December 31, 2017, the financial institution still maintained its own collateral pool.

4. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Construction, Maintenance and Repair, FEMA Levee Rehabilitation and Waterline Replacement Debt Service Funds by \$204,973, \$8,624 and \$44,045, respectively, for the year ended December 31, 2017. Also contrary to Ohio law, we noted several disbursements that were not properly encumbered in 2017.

5. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,261	\$83,591	\$12,330
Special Revenue	50,420	44,204	(6,216)
Enterprise	417,800	581,671	163,871
Total	\$539,481	\$709,466	\$169,985

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$199,302	\$118,201	\$81,101
Special Revenue	85,235	295,639	(210,404)
Enterprise	445,127	404,852	40,275
Total	\$729,664	\$818,692	(\$89,028)

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

6. PROPERTY TAX

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. 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.

7. DEBT

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Sewer System Planning - 6660	\$168,689	0.00%
OWDA Sewer System Planning - 7261	65,612	0.00%
OPWC Water-Treatment Plant - C018E	81,250	0.00%
OPWC Waterline Replacement Phase 1 - CT83M	200,000	0.00%
Water System Mortgage Revenue Bonds	981,400	2.75%
Total	<u>\$1,496,951</u>	

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. No amortization schedule was available for scheduling.

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 \$4,166.67. Village has agreed to set utility rates to cover debt requirements.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

7. DEBT (Continued)

The Ohio Public Works Commission (OPWC) loan – C018E 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 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.

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

Year Ending December 31:	OPWC Loan	Mortgage Revenue Bonds	Total
2018	\$ 20,833	\$ 43,989	\$ 64,822
2019	20,833	44,021	64,854
2020	20,883	44,111	64,994
2021	20,833	44,045	64,878
2022	20,833	44,036	64,869
2021-2025	104,165	220,122	324,287
2026-2030	72,870	220,199	293,069
2031-2035	-	220,188	220,188
2036-2040	-	220,140	220,140
2041-2045	-	220,141	220,141
2046-2050	-	220,172	220,172
Total	<u>\$ 281,250</u>	<u>\$ 1,541,164</u>	<u>\$ 1,822,414</u>

8. RETIREMENT SYSTEMS

The Village's 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 healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

9. 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.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

9. RISK MANAGEMENT (Continued)

York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by 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, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$6,000.

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

<u>2017 Contributions to PEP</u>
\$ 10,267

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

9. RISK MANAGEMENT (Continued)

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

10. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 1.0 percent during calendar year 2017.

**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, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts			
Property and Other Local Taxes	\$ 48,930	\$ -	\$ 48,930
Intergovernmental	62,755	44,899	107,654
Fines, Licenses and Permits	22,872	-	22,872
Earnings on Investments	466	166	632
Miscellaneous	-	50	50
	<u>135,023</u>	<u>45,115</u>	<u>180,138</u>
<i>Total Cash Receipts</i>			
Cash Disbursements			
Current:			
Security of Persons and Property	16,811	-	16,811
Leisure Time Activities	5,326	-	5,326
Basic Utility Services	15,748	-	15,748
Transportation	-	33,695	33,695
General Government	103,408	-	103,408
Capital Outlay	10,941	22,237	33,178
	<u>152,234</u>	<u>55,932</u>	<u>208,166</u>
<i>Total Cash Disbursements</i>			
<i>Excess of Receipts (Under) Disbursements</i>	<u>(17,211)</u>	<u>(10,817)</u>	<u>(28,028)</u>
Other Financing Receipts (Disbursements)			
Transfers Out	(64,833)	-	(64,833)
Other Financing Sources	9,660	-	9,660
	<u>(55,173)</u>	<u>-</u>	<u>(55,173)</u>
<i>Total Other Financing Receipts (Disbursements)</i>			
<i>Net Change in Fund Cash Balances</i>	(72,384)	(10,817)	(83,201)
<i>Fund Cash Balances, January 1</i>	<u>203,427</u>	<u>449,155</u>	<u>652,582</u>
Fund Cash Balances, December 31			
Restricted	-	435,949	435,949
Committed	-	2,389	2,389
Assigned	128,041	-	128,041
Unassigned	3,002	-	3,002
	<u>131,043</u>	<u>438,338</u>	<u>569,381</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 131,043</u>	<u>\$ 438,338</u>	<u>\$ 569,381</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, 2016**

	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 473,828
<i>Total Operating Cash Receipts</i>	473,828
Operating Cash Disbursements	
Personal Services	108,174
Employee Fringe Benefits	20,429
Contractual Services	189,517
Supplies and Materials	17,183
Other	1,882
<i>Total Operating Cash Disbursements</i>	337,185
<i>Operating Income</i>	136,643
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	4,945
Capital Outlay	(26,933)
Principal Retirement	(41,175)
Interest and Other Fiscal Charges	(27,887)
Other Debt Proceeds	104,093
<i>Total Non-Operating Receipts (Disbursements)</i>	13,043
<i>Income before Transfers</i>	149,686
Transfers In	64,833
<i>Net Change in Fund Cash Balances</i>	214,519
<i>Fund Cash Balances, January 1</i>	720,342
<i>Fund Cash Balances, December 31</i>	\$ 934,861

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, 2016**

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Frankfort, Ross County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities and park operations. The Village contracts with the Ross County Sheriff's department to provide security of persons and property. The Village contracts with Concord Township to receive fire protection services. The Village's management believes these financial statements present all activities for which the Village is financially accountable.

Public Entity Risk Pool

The Village participates in a public entity risk pool. Note 9 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

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.

A. 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.

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:

1. General Fund

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

2. 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:

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Brad Lightle Memorial Park Fund – This fund receives donations and general fund transfers to fund construction and maintenance of the park.

3. 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 Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund received 10% of charge of water receipts being saved toward 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.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund 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.

2. 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.

3. 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 2016 budgetary activity appears in Note 5.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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:

1. Nonspendable

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

2. 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.

3. 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.

4. 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.

5. 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.

F. Property, Plant, and Equipment

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

3. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2016
Demand deposits	\$773,187
Other time deposits (savings and NOW accounts)	731,055
Total deposits	\$1,504,242

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

4. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$46,267, for the year ended December 31, 2016. Also contrary to Ohio law, we noted several expenditures that were not properly encumbered in 2016.

5. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,113	\$144,683	\$40,570
Special Revenue	50,500	45,115	(5,385)
Enterprise	518,303	647,699	129,396
Total	\$672,916	\$837,497	\$164,581

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$172,987	\$219,254	(\$46,267)
Special Revenue	95,700	58,549	37,151
Enterprise	592,444	441,996	150,448
Total	\$861,131	\$719,799	\$141,332

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. PROPERTY TAX

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. 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.

7. DEBT

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Sewer System Planning - 6660	\$171,035	0.00%
OWDA Sewer System Planning - 7261	65,440	0.00%
OPWC Water-Treatment Plant - CO18E	93,750	0.00%
OPWC Waterline Replacement Phase 1 - CT83M	208,334	0.00%
Water System Mortgage Revenue Bonds	998,000	2.75%
Total	<u>\$1,536,559</u>	

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. No amortization schedule was available for scheduling.

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 \$4,166.67. Village has agreed to set utility rates to cover debt requirements.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

7. DEBT (Continued)

The Ohio Public Works Commission (OPWC) loan – C018E 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 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.

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

Year Ending December 31:	OPWC Loan	Mortgage Revenue Bonds	Total
2017	\$ 20,833	\$ 44,045	\$ 64,878
2018	20,833	43,989	64,822
2019	20,883	44,021	64,904
2020	20,833	44,111	64,944
2017	20,833	44,045	64,878
2021-2025	104,165	220,181	324,346
2026-2030	93,704	220,104	313,808
2031-2035	-	220,261	220,261
2036-2040	-	220,184	220,184
2041-2045	-	220,085	220,085
2046-2050	-	220,206	220,206
2051-2052	-	43,980	43,980
Total	<u>\$ 302,084</u>	<u>\$ 1,585,212</u>	<u>\$ 1,887,296</u>

8. RETIREMENT SYSTEMS

The Village's 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 healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

9. 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.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. RISK MANAGEMENT (Continued)

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by 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, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$6,000.

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

<u>2016 Contributions to PEP</u>
\$ 8,827

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. RISK MANAGEMENT (Continued)

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

9. SUBSEQUENT EVENTS

In August 2017, the Village received bids for a various street pavement project which was awarded to Cox Paving. The project was completed in October at a total cost of \$270,593.

10. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.



Certified Public Accountants, A.C.

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

June 29, 2018

Village of Frankfort
Ross County
PO Box 351 20 N. Main Street
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 cash balances, receipts, and disbursements by fund type of **Village of Frankfort**, Ross County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 29, 2018 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) 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.

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 will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2017-003 to be a material weakness.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standard* which are described in the accompanying schedule of audit findings as items 2017-001 and 2017-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 29, 2018.

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.



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

VILLAGE OF FRANKFORT
ROSS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-001

Noncompliance

Ohio Revised Code, § 5705.41(B), provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

In 2017, expenditures exceeded appropriations in the Street Construction, Maintenance and Repair, FEMA Levee Rehabilitation Fund and Waterline Replacement Debt Service Fund.

In 2016, expenditures exceeded appropriations in the General Fund.

The budgeting process is an essential monitoring control that, when properly used, reduces the possibility of the Village encountering deficit spending.

The Fiscal Officer should certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response: We received no response to this finding.

FINDING NUMBER 2017-002

Noncompliance

Ohio Rev. Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money.

The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1) "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

VILLAGE OF FRANKFORT
ROSS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-002 (Continued)

- 2) Blanket Certificate – The Fiscal Officer may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3) Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Conditions leading to budgetary noncompliance included:

- Did not properly certify the availability of funds prior to purchase for 29% of expenditures tested in 2017 and for 24% of expenditures tested for 2016.

Unless the exceptions noted above are used, prior certification is not only required by statute, but are key controls in the disbursement process to assure that purchase commitments receive prior approval. The lack of a proper internal control system allowed the Village to violate budgetary law and overspend.

The Village should gain an understanding of budgetary law and implement the required budgetary procedures to help reduce the risk of further noncompliance and overspending.

Officials’ Response: We received no response to this finding.

FINDING NUMBER 2017-003

Material Weakness

Posting Receipts, Disbursement and Classification of Fund Balances

The Village is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – “Fund Balance Reporting and Governmental Fund Type Definitions.”

During 2017 and 2016, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- In 2017 and 2016, amounts for subsequent appropriations were classified as unassigned fund balance instead of as assigned fund balances in the General Fund.
- In 2016, a Land Water Conservation Grant was recorded as an Other-Financing Sources receipt instead of an Intergovernmental receipt in the General Fund.

VILLAGE OF FRANKFORT
ROSS COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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

FINDING NUMBER 2017-003 (Continued)

Posting Receipts, Disbursement and Classification of Fund Balances (Continued)

- In 2017, principal retirement payments in the Water Treatment and Plant Rehabilitation Debt Service and Waterline Replacement Debt Service funds were recorded as capital outlay payments in the General Fund.
- In 2017, principal retirement payments in the Water Treatment and Plant Rehabilitation Debt Service and Waterline Replacement Debt Service funds were recorded as basic utility services payments in the General Fund.
- In 2016, amounts were classified as assigned balance instead of as committed fund balances in the Brad Lightle Memorial Park Fund.
- In 2017 and 2016, amounts were classified as assigned fund balance instead of as restricted fund balances in the Ross Co. Park District Grant, and FEMA Levee Rehabilitation Funds.

Not posting disbursements and fund balances accurately resulted in the financial statements requiring reclassifications and adjustments. The accompanying financial statements reflect all reclassifications and adjustments. The Village made all required adjustments to its accounting records.

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 and expenditures are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Ohio Village Handbook, Technical Bulletin 2011-004, and other Auditor of State Resources for guidance to determine the proper establishment of expenditure accounts and posting of expenditures and cash fund balances.

Officials' Response: We received no response to this finding.

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**VILLAGE OF FRANKFORT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Posting Receipts and Disbursements	Not Corrected	Repeated as Finding 2017-003
2015-002	Sewer Charges for Services	Corrected	N/A

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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
AUGUST 9, 2018