



**VILLAGE OF FRANKFORT
ROSS COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2019-2018**

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KEITH FABER



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Village Council
Village of Frankfort
20 North Main Street
Frankfort, Ohio 45828

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, 2018 through December 31, 2019. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Noncompliance and Finding for Adjustment

Ohio Revised Code § 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. It further states that, 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 accordance with Ohio Rev. Code §117.43, the Village contracted with Perry and Associates to perform the 2019-2018 audit of the Village's financial statements. During the course of the performing the audit, Perry & Associates found in 2019, the Village transferred \$44,021 from the Water Operating Fund to the Waterline Replacement and Elevation Fund. The transfer was not properly approved by Council. At the end of the audit Perry and Associates presented the Village with fund balance adjustments that needed to be completed. The Village did not post adjustments to its financial statements and the Village's accounting system to reverse the \$44,021 transfer.

The adjustment for correcting the unapproved transfer that was not posted to the Village's accounting system or financial statements would reduce the Waterline Replacement and Elevation Fund by \$44,021 and increase the Water Operating Fund by \$44,021.

In accordance with the forgoing facts, we hereby issue a finding for adjustment in the total amount of \$44,021 against the Waterline Replacement and Elevation Fund and in favor of the Water Operating Fund.

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

July 19, 2021

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VILLAGE OF FRANKFORT
ROSS COUNTY

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INDEPENDENT AUDITOR'S REPORT

March 31, 2021

Village of Frankfort
Ross County
P.O. Box 351, 20 N. Main Street
Frankfort, Ohio 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, Ohio (the Village) as of and for the years ended December 31, 2019 and 2018.

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 such 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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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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 *Additional Opinion Qualification* and *Unmodified Opinion* 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, 2019 and 2018, and the respective changes in financial position or cash flows, where applicable thereof for the years then ended.

Basis for Additional Opinion Qualification

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.

As described in Finding 2019-004 in the accompanying Schedule of Audit Findings, the Village Council did not comply with requirements concerning interfund transfers in 2019. Funds, in the amount of \$44,021, were transferred from the Water Operating Fund to the Waterline Replacement and Elevation Fund without Council approval. Due to the impact this adjustment would have on the Waterline Replacement and Elevation Fund, the Village was unable to make this adjustment.

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 \$44,021; and the Waterline Replacement and Elevation Fund cash fund balance would have decreased \$44,021.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Modification* paragraphs, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the general and enterprise fund type, and related notes of Village of Frankfort, Ross County, as of December 31, 2019 and 2018, and 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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for the special revenue fund type, and related notes of the Village of Frankfort, Ross County, as of December 31, 2019 and 2018, and 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.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2021, 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, 2019**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 54,269	\$ -	\$ 54,269
Intergovernmental	34,614	50,288	84,902
Fines, Licenses and Permits	22,980	-	22,980
Earnings on Investments	2,387	300	2,687
Miscellaneous	-	100	100
<i>Total Cash Receipts</i>	<u>114,250</u>	<u>50,688</u>	<u>164,938</u>
Cash Disbursements			
Current:			
Security of Persons and Property	22,265	-	22,265
Leisure Time Activities	173	-	173
Basic Utility Services	19,599	-	19,599
Transportation	948	16,367	17,315
General Government	51,471	-	51,471
<i>Total Cash Disbursements</i>	<u>94,456</u>	<u>16,367</u>	<u>110,823</u>
<i>Excess of Receipts Over Disbursements</i>	<u>19,794</u>	<u>34,321</u>	<u>54,115</u>
Other Financing Receipts			
Other Financing Sources	26,642	-	26,642
<i>Total Other Financing Receipts</i>	<u>26,642</u>	<u>-</u>	<u>26,642</u>
<i>Net Change in Fund Cash Balances</i>	53,284	34,321	87,605
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	<u>74,472</u>	<u>211,196</u>	<u>285,668</u>
Fund Cash Balances, December 31			
Restricted	-	243,553	243,553
Committed	-	1,964	1,964
Unassigned	120,908	-	120,908
<i>Fund Cash Balances, December 31</i>	<u>\$ 120,908</u>	<u>\$ 245,517</u>	<u>\$ 366,425</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, 2019**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 534,897
<i>Total Operating Cash Receipts</i>	<u>534,897</u>
Operating Cash Disbursements	
Personal Services	99,726
Employee Fringe Benefits	13,514
Contractual Services	141,080
Supplies and Materials	29,581
Other	5,174
<i>Total Operating Cash Disbursements</i>	<u>289,075</u>
<i>Operating Income</i>	<u>245,822</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	7,139
Miscellaneous Receipts	20
Capital Outlay	(10,720)
Principal Retirement	(54,756)
Interest and Other Fiscal Charges	(26,521)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(84,838)</u>
<i>Income before Transfers</i>	160,984
Transfers In	44,021
Transfers Out	(44,021)
<i>Net Change in Fund Cash Balances</i>	<u>160,984</u>
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	<u>1,292,572</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,453,556</u>

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, 2019

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 general governmental services, 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 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 6 to the financial statements provides additional information for these entities. 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 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 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 Fund – The Street Construction, Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license tax registration fees restricted for construction, maintenance and repair of streets within the Village.

Brad Lightle Memorial Park 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 Fund – The Water Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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 Village 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, and 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 3.

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, 2019

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.

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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 228,175	\$ 140,892	\$ (87,283)
Special Revenue	45,900	50,688	4,788
Enterprise	566,209	586,077	19,868
Total	\$ 840,284	\$ 777,657	\$ (62,627)

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 3 – Budgetary Activity (Continued)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 121,764	\$ 94,962	\$ 26,802
Special Revenue	20,012	16,367	3,645
Enterprise	630,604	426,839	203,765
Total	\$ 772,380	\$ 538,168	\$ 234,212

Note 4 - Deposits

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

	2019
Demand deposits	\$ 1,819,981
	\$ 1,819,981

Deposits

Deposits are insured by the Federal Depository 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.

Note 5 – 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 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.

Note 6 – 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

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 6 – Risk Management (Continued)

- 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>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village’s employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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. OPERS members contributed 10% 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, 2019.

Note 8 – Postemployment Benefits

OPERS offers a 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 members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
USDA-Mortgage Revenue Bonds	\$ 946,900	2.75%
OPWC-CO18E WWTP Rehabilitation	56,250	0.00%
OPWC-CT83M Waterline Replacement	183,333	0.00%
OPWC-CT53S Main Street Lift Station	124,432	0.00%
OWDA-6660 Sewer System Planning	162,950	3.25%
OWDA-7261 Sewer System Planning	62,123	3.25%
Total	\$ 1,535,988	

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 9 – Debt (Continued)

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. Not included in schedule below. Capitalized interest for 2019 was \$5,436.

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. Capitalized interest for 2019 was \$1,703.

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.

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 \$4,444.

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 CO18E	OPWC CT83M	OPWC CT53S	USDA Bonds
2020	\$ 6,250	\$ 4,167	\$ 2,222	44,111
2021	12,500	8,334	4,444	44,045
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
2025-2029		41,670	22,220	220,171
2030-2034	-	41,670	22,220	220,162
2035-2039	-	41,670	22,220	220,152
2040-2044	-	20,820	22,220	220,234
2045-2049	-	-	15,554	220,145
2050-2054	-	-	-	132,044
Total	<u>\$ 56,250</u>	<u>\$ 183,333</u>	<u>\$ 124,432</u>	<u>\$ 1,453,157</u>

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 10 – Subsequent Events

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

Note 11 – Restatement of Beginning Fund Balance

The General Fund and Enterprise Fund balances were restated as of January 1, 2019 due to voided checks and returned water deposits. The effect of the restatement is noted below.

	<u>General Fund</u>	<u>Enterprise Funds</u>
Ending Fund Balance at December 31, 2018	\$ 73,665	\$ 1,292,243
Restatement	807	329
Restated Fund Balance January 1, 2019	<u>\$ 74,472</u>	<u>\$ 1,292,572</u>

**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, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 50,092	\$ -	\$ 50,092
Intergovernmental	31,874	44,412	76,286
Fines, Licenses and Permits	20,367	-	20,367
Earnings on Investments	1,313	78	1,391
Miscellaneous	-	3,182	3,182
<i>Total Cash Receipts</i>	<u>103,646</u>	<u>47,672</u>	<u>151,318</u>
Cash Disbursements			
Current:			
Security of Persons and Property	16,163	-	16,163
Leisure Time Activities	4,456	1,200	5,656
Basic Utility Services	23,030	-	23,030
Transportation	1,923	17,815	19,738
General Government	79,595	-	79,595
Capital Outlay	-	4,364	4,364
<i>Total Cash Disbursements</i>	<u>125,167</u>	<u>23,379</u>	<u>148,546</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(21,521)</u>	<u>24,293</u>	<u>2,772</u>
Other Financing Receipts			
Other Financing Sources	8,725	-	8,725
<i>Total Other Financing Receipts</i>	<u>8,725</u>	<u>-</u>	<u>8,725</u>
<i>Net Change in Fund Cash Balances</i>	(12,796)	24,293	11,497
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	<u>86,461</u>	<u>186,903</u>	<u>273,364</u>
Fund Cash Balances, December 31			
Restricted	-	209,832	209,832
Committed	-	1,364	1,364
Unassigned	73,665	-	73,665
<i>Fund Cash Balances, December 31</i>	<u>\$ 73,665</u>	<u>\$ 211,196</u>	<u>\$ 284,861</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, 2018**

	<u>Proprietary Fund Types</u>
	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 503,832
<i>Total Operating Cash Receipts</i>	<u>503,832</u>
Operating Cash Disbursements	
Personal Services	97,597
Employee Fringe Benefits	19,559
Contractual Services	109,206
Supplies and Materials	18,861
Other	526
<i>Total Operating Cash Disbursements</i>	<u>245,749</u>
<i>Operating Income</i>	<u>258,083</u>
Non-Operating Receipts (Disbursements)	
Other Debt Proceeds	7,596
Miscellaneous Receipts	3,916
Capital Outlay	(18,198)
Principal Retirement	(54,262)
Interest and Other Fiscal Charges	(26,989)
<i>Total Non-Operating Disbursements</i>	<u>(87,937)</u>
<i>Net Change in Fund Cash Balances</i>	170,146
<i>Fund Cash Balances, January 1 (Restated - See Note 11)</i>	<u>1,122,097</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,292,243</u>

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, 2018

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 general governmental services, 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 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 a public entity risk pool. Note 6 to the financial statements provides additional information for these entities. 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 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 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 Fund – The Street Construction, Maintenance and Repair Fund accounts for and reports that portion of the State gasoline tax and motor vehicle license tax registration fees restricted for construction, maintenance and repair of streets within the Village.

Brad Lightle Memorial Park 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 Fund – The Water Fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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

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 Village 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 (except certain agency funds) be budgeted annually.

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

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, 2018

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.

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*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 98,550	\$ 112,371	\$ 13,821
Special Revenue	49,000	47,672	(1,328)
Enterprise	437,000	515,344	78,344
Total	\$ 584,550	\$ 675,387	\$ 90,837

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 3 – Budgetary Activity (Continued)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 177,682	\$ 125,873	\$ 51,809
Special Revenue	36,700	23,390	13,310
Enterprise	418,667	345,197	73,470
Total	\$ 633,049	\$ 494,460	\$ 138,589

Note 4 - Deposits

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

Demand deposits	2018
	\$ 1,577,104

Deposits

Deposits are insured by the Federal Depository 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.

Note 5 – 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 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.

Note 6 – 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

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 6 – Risk Management (Continued)

- 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>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$12,965,015

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. 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. OPERS members contributed 10% 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, 2018.

Note 8– 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 members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

USDA-Mortgage Revenue Bonds	\$	964,400	2.75%
OPWC-CO18E WWTP Rehabilitation		68,750	0.00%
OPWC-CT83M Waterline Replacement		191,667	0.00%
OPWC-CT53S Main Street Lift Station		128,876	0.00%
OWDA-6660 Sewer System Planning		165,989	3.25%
OWDA-7261 Sewer System Planning		63,923	3.25%
Total	\$	1,583,605	

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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. Not included in schedule below. Capitalized interest for 2018 was \$5,783.

Note 9 – Debt (Continued)

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. Capitalized interest for 2018 was \$1,813.

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.

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 Ohio Public Works Commission (OPWC) loan CT53S was not included in the notes for 2017. The loan balance at December 31, 2017 was \$133,320. The loan relates to a Main Street lift station project. The Village will repay the loans in semiannual interest free installment of \$4,444.

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 CO18E	OPWC CT83M	OPWC CT53S	USDA Bonds
2019	\$ 12,500	\$ 8,334	\$ 4,444	\$ 44,021
2020	6,250	4,167	2,222	44,111
2021	12,500	8,334	4,444	44,045
2022	12,500	8,334	4,444	44,036
2023	12,500	8,334	4,444	44,014
2024-2028	12,500	41,670	22,220	220,249
2029-2033	-	41,670	22,220	220,095
2034-2038	-	41,670	22,220	220,172
2039-2043	-	29,154	22,220	220,183
2044-2048	-	-	19,998	220,181
2049-2053	-	-	-	176,071
Total	<u>\$ 68,750</u>	<u>\$ 191,667</u>	<u>\$ 128,876</u>	<u>\$ 1,497,178</u>

VILLAGE OF FRANKFORT
ROSS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Note 10 – Subsequent Events

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

Note 11 – Restatement of Beginning Fund Balance

The General Fund and Enterprise Fund balances were restated as of January 1, 2018 due prior audit adjustments that could not be recorded by the Village. The effect of the restatement is noted below.

	<u>General Fund</u>	<u>Enterprise Funds</u>
Ending Fund Balance at December 31, 2017	\$ 96,878	\$ 1,111,680
Restatement	(10,417)	10,417
Restated Fund Balance January 1, 2018	<u>\$ 86,461</u>	<u>\$ 1,122,097</u>

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

March 31, 2021

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 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 the **Village of Frankfort**, Ross County, (the Village) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated March 31, 2021, 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 and we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing 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 2019-001 to be a material weakness.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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 financial statements. 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 Standards* which are described in the accompanying schedule of audit findings as items 2019-002 through 2019-004.

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, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2019-001

Material Weakness

Financial Reporting

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 2019 and 2018, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- In 2018, 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 2019, Principal Retirement and Interest payments in the Wastewater Line & Tank Elevation Fund, Water Operating Fund, and Sewer Operating Fund were recorded as Capital Outlay, Supplies and Materials, and Contractual Services;
- In 2019 and 2018, fund balances were classified as Assigned instead of Committed in the Parks and Recreation-Brad Lightle Memorial Park Fund; and
- In 2019 and 2018, fund balances were classified as Assigned instead of Restricted in the Parks and Recreation-Ross Co. Park District Grant Fund.

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. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

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

FINDING NUMBER 2019-002

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision’s fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-002 (Continued)

Noncompliance (Continued)

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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 taxing authority.
2. Blanket Certificate – Fiscal officers 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. 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 entity 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 25% of the expenditures tested for 2019 and 23% of the expenditures tested 2018.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Village. When prior certification is not possible, "then and now" certification should be used.

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, 2019 AND 2018

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

FINDING NUMBER 2019-003

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.

Ohio Revised Code Section 149.43(B)(2) states, in part, that a public office have available a copy of its current records retention schedule at a location readily available to the public.

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

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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

FINDING NUMBER 2019-004

Noncompliance

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 2019, the Village transferred \$25,000 from the Water Operating Fund to the General Fund and \$44,021 from the Water Operating Fund to the Waterline Replacement and Elevation Fund. The transfers were not properly approved, and the financial statements and the Village's system were adjusted to reverse the \$25,000 transfer. 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 \$44,021 transfer.

By not properly approving all interfund activity such as transfers between funds in their entirety, unallowable transfers could occur. The Village should implement procedures to properly approve all interfund activity such as transfers to improve financial reporting and accountability.

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

**VILLAGE OF FRANKFORT
ROSS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code Section 5705.41(B)	Partially Corrected	Moved to Management Letter
2017-002	Ohio Rev. Code Section 5705.41(D)	Not Corrected	Repeated as Finding 2019-002
2017-003	Posting Receipts, Disbursements and Fund Balances	Not Corrected	Repeated as Finding 2019-001

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 7/29/2021

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