

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

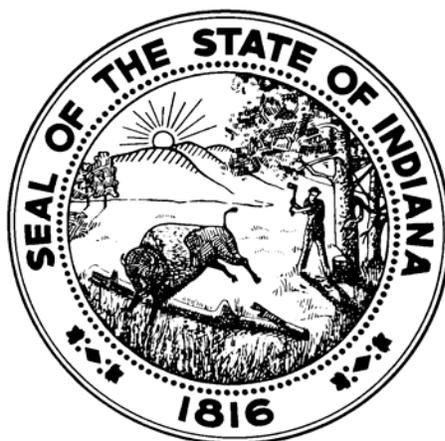
EXAMINATION REPORT

OF

CITY OF FRANKFORT

CLINTON COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
09/28/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information: Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information.....	5-6
Examination Results and Comments: Deposits	7
List of Employees Not Filed with County Treasurer.....	7
Customer Deposit Register.....	7
Mileage Reimbursement.....	7
Exit Conference	8

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marilyn Chittick	01-01-04 to 12-31-07
Mayor	Donald Stock	01-01-04 to 12-31-07
President of the Board of Public Works	Donald Stock	01-01-04 to 12-31-07
President of the Common Council	Donald Stock	01-01-04 to 12-31-07
President of the Utility Service Board	Michael Mills Fred Fladd	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Water Utility	Wesley Hyden	01-01-06 to 12-31-07
Superintendent of Wastewater Utility: Wastewater Treatment Wastewater Maintenance	Dennis Shirar Donald Bogard	01-01-06 to 12-31-07 01-01-06 to 12-31-07
Superintendent of Electric Utility	Steve Miller	01-01-06 to 12-31-07
Utility Office Manager	Susan O'Brien	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF FRANKFORT, CLINTON COUNTY, INDIANA

We have examined the financial information presented herein of the City of Frankfort (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 1, 2006

CITY OF FRANKFORT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 741,225	\$ 6,409,663	\$ 6,735,719	\$ 415,169
Motor Vehicle Highway	218,790	736,081	848,819	106,052
Major Moves	-	114,315	-	114,315
Local Road and Street	31,500	67,671	-	99,171
Law Enforcement Continuing Education	31,250	12,567	12,094	31,723
Emergency Medical Services	38,687	217,173	255,177	683
Hazardous Materials	446	4,555	2,248	2,753
User Fee	55,314	299,664	236,126	118,852
Police Forfeiture	14,491	37,575	9,042	43,024
Special Donation	111,373	244,197	291,088	64,482
Criminal Justice Grant	-	59,604	57,092	2,512
Flower	381	615	774	222
Petting Zoo Donations	843	581	843	581
TPA Park Festival	20,249	16,859	12,682	24,426
Softball League	2,814	3,183	4,638	1,359
Unsafe Building	12,490	-	-	12,490
Riverboat	24,501	105,735	120,014	10,222
County Economic Development Income Tax	335,959	191,118	54,750	472,327
Chipper Grant	2,092	-	-	2,092
911 Operator	9,885	55,292	53,166	12,011
Fire FEMA Grant	590	-	590	-
Homeland Security Grant	41,604	69,489	111,093	-
NHC Custodian	-	11,856	11,856	-
City Court	2,910	48,594	50,024	1,480
Storm Damage Refund	23,096	-	23,096	-
USDA Warrant Grant	-	1,900	1,900	-
Cumulative Building and Firefighting Equipment	169,538	139,407	-	308,945
Cumulative Capital Improvement	99,525	91,701	8,863	182,363
Clerk's Equipment Fund	4,164	1,040	2,161	3,043
Washington Street Project	-	136,431	136,431	-
Proprietary Funds:				
Water Utility - Operating	682,577	2,119,683	2,308,508	493,752
Water Utility - Depreciation	641,609	253,417	21,839	873,187
Water Utility - Customer Deposit	16,484	5,881	6,287	16,078
Water Utility - Construction	279,646	125,416	11,543	393,519
Wastewater Utility - Operating	271,885	2,816,336	2,725,169	363,052
Wastewater Utility - Depreciation	411,647	126,692	265,956	272,383
Wastewater Utility - Customer Deposit	40,606	16,030	16,197	40,439
Wastewater Utility - Construction	545,271	231,478	511,508	265,241
Electric Utility - Operating	1,492,653	21,377,045	21,202,255	1,667,443
Electric Utility - Depreciation	2,005,617	67,361	119,872	1,953,106
Electric Utility - Customer Deposit	181,346	69,878	71,352	179,872
Electric Utility - Construction	3,727,195	104,006	1,130,649	2,700,552
Storm Water Utility - Operating	-	218,514	-	218,514
Utility Service Board	34,635	863,576	794,874	103,337
Utility Auditor Operating	5,027	57,275	57,899	4,403
Billing Office Operating	82,608	552,583	556,076	79,115
Utility Credit Card	-	46,638	-	46,638
Utility Credit Card Fees	349	8,719	8,840	228
Health Insurance	15,793	1,601,258	1,445,979	171,072
Fiduciary Funds:				
Police Officers' Pension	483,032	331,207	462,502	351,737
Firefighters' Pension	315,367	769,105	697,092	387,380
Utility Retirement Pension	3,696,976	426,762	290,966	3,832,772
Payroll	93,249	9,889,646	9,883,905	98,990
Fred Simms Scholarship	5,046	104	69	5,081
Sallie Byers Scholarship	1,517	31	24	1,524
Municipal Pool Escrow	3	13,495	830	12,668
County Docket Fees	-	5,082	5,082	-
Special Insurance	6,459	30,216	34,648	2,027
Medical Reimbursement	1,173	33	1,206	-
Totals	<u>\$ 17,031,487</u>	<u>\$ 51,204,333</u>	<u>\$ 51,671,413</u>	<u>\$ 16,564,407</u>

The accompanying notes are an integral part of the financial information.

CITY OF FRANKFORT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, general administrative services and electric, water, wastewater and storm water utilities.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF FRANKFORT
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Loan Payment

The City of Frankfort paid, on behalf of the Frankfort Airport Authority, the loan payment of \$37,307.43 due July 15, 2006. A formal repayment schedule has not been approved by the Council.

Note 8. Subsequent Event

The Wastewater and Water Utilities entered into a construction project in February 2007 for First Street Sanitary Sewer and Water Main Replacement with an estimated cost of \$956,800.

CITY OF FRANKFORT
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

During the month of June 2006, two deposits, for park shelter and booth reservations, were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the City had money due from the City, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register of the Electric and Wastewater Utilities do not reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

MILEAGE REIMBURSEMENT

Some employees were reimbursed for mileage without filing Mileage Claim, General Form 101.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF FRANKFORT
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2007, with Marilyn Chittick, Clerk-Treasurer; Rebecca Quick, Utility Auditor; Fred Fladd, President of the Utility Service Board; Donald Stock, Mayor; and Susan O'Brien, Utility Office Manager. The officials concurred with our findings.