

B37335

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

EXAMINATION REPORT
OF
TOWN OF FRANKTON
MADISON COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
08/11/2010

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---------------------|----------------------|
| Clerk-Treasurer | Katherine G. Hudson | 01-01-08 to 12-31-11 |
| President of the Town Council | Jack Alexander | 01-01-08 to 12-31-08 |
| | Lisa Corey | 01-01-09 to 12-31-09 |
| | Howard Sowers | 01-01-10 to 12-31-10 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FRANKTON, MADISON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Frankton (Town), for the period of January 1, 2008 to December 31, 2009. The Town'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 Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 8, 2010

TOWN OF FRANKTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

| | Cash and Investments 01-01-08 | Receipts | Disbursements | Cash and Investments 12-31-08 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 13,831 | \$ 358,172 | \$ 349,003 | \$ 23,000 |
| Motor Vehicle Highway | 4,948 | 129,832 | 96,407 | 38,373 |
| Local Road and Street | 31,841 | 34,175 | 44,000 | 22,016 |
| Park and Recreation | 3,155 | 111 | 231 | 3,035 |
| Law Enforcement Continuing Education | 4,007 | 1,394 | 2,111 | 3,290 |
| Police Donations | 805 | 10,550 | 10,794 | 561 |
| Food and Beverage | 86,330 | 101,905 | 95,154 | 93,081 |
| Cemetery Care Fund | 6,957 | 325 | - | 7,282 |
| Cumulative Capital Improvement | 24,167 | 16,195 | 25,075 | 15,287 |
| Cumulative Capital Development | 16,277 | 11,052 | 10,000 | 17,329 |
| Rainy Day Fund | 5,211 | 5,423 | 5,000 | 5,634 |
| Adopt a Pole | 25 | - | 25 | - |
| Excess Levy | 16,964 | - | 16,964 | - |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 1,118 | 214,529 | 212,125 | 3,522 |
| Water Utility - Bond and Interest | 22,028 | 90,000 | 79,325 | 32,703 |
| Water Utility - Depreciation | 451 | 8,000 | 6,239 | 2,212 |
| Water Utility - Customer Deposit | 15,145 | 21,000 | 18,520 | 17,625 |
| Water Utility - Construction | 10,267 | - | 8,907 | 1,360 |
| Water Utility - Debt Reserve | 2,054 | - | - | 2,054 |
| Wastewater Utility - Operating | 2,772 | 262,498 | 246,566 | 18,704 |
| Wastewater Utility - Bond and Interest | 130,248 | 121,233 | 159,371 | 92,110 |
| Wastewater Utility - Depreciation | 2,938 | 52,000 | 49,184 | 5,754 |
| Wastewater Utility - Construction | 627 | - | - | 627 |
| Wastewater Utility - Reserve | 3,275 | - | - | 3,275 |
| Electric Utility - Operating | 87 | 1,480,890 | 1,411,817 | 69,160 |
| Electric Utility Bond and Interest | 28,000 | 10,000 | 38,000 | - |
| Electric Utility - Depreciation | 5,595 | 44,913 | 29,102 | 21,406 |
| Electric Utility - Customer Deposit | 7,295 | 71,485 | 38,855 | 39,925 |
| Electric Utility - Reserve | 8,586 | 15,000 | - | 23,586 |
| Fiduciary Funds: | | | | |
| Payroll | - | 298,343 | 298,343 | - |
| Payroll Transfer/Tax | 4,000 | - | - | 4,000 |
| | <u>\$ 459,004</u> | <u>\$ 3,359,025</u> | <u>\$ 3,251,118</u> | <u>\$ 566,911</u> |

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

TOWN OF FRANKTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009
(Continued)

| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 23,000 | \$ 295,809 | \$ 277,567 | \$ 41,242 |
| Motor Vehicle Highway | 38,373 | 87,990 | 71,287 | 55,076 |
| Local Road and Street | 22,016 | 18,394 | 27,000 | 13,410 |
| Park and Recreation | 3,035 | 5,754 | 3,791 | 4,998 |
| Law Enforcement Continuing Education | 3,290 | 1,262 | 732 | 3,820 |
| Police Donations | 561 | 2,925 | 520 | 2,966 |
| Food and Beverage | 93,081 | 1,830 | 4,950 | 89,961 |
| Cemetery Care Fund | 7,282 | 339 | - | 7,621 |
| Cumulative Capital Improvement | 15,287 | 6,124 | 12,000 | 9,411 |
| Cumulative Capital Development | 17,329 | 5,580 | 18,200 | 4,709 |
| Rainy Day Fund | 5,634 | 1,482 | - | 7,116 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 3,522 | 206,062 | 207,222 | 2,362 |
| Water Utility - Bond and Interest | 32,703 | 55,000 | 64,450 | 23,253 |
| Water Utility - Depreciation | 2,212 | 23,436 | 25,039 | 609 |
| Water Utility - Customer Deposit | 17,625 | 4,425 | 3,505 | 18,545 |
| Water Utility - Construction | 1,360 | - | 1,002 | 358 |
| Water Utility - Debt Reserve | 2,054 | - | 2,000 | 54 |
| Wastewater Utility - Operating | 18,704 | 250,161 | 233,411 | 35,454 |
| Wastewater Utility - Bond and Interest | 92,110 | - | 92,110 | - |
| Wastewater Utility - Depreciation | 5,754 | 71,147 | 63,700 | 13,201 |
| Wastewater Utility - Construction | 627 | - | - | 627 |
| Wastewater Utility - Improvement | 3,275 | 11,000 | - | 14,275 |
| Electric Utility - Operating | 69,160 | 1,610,381 | 1,611,856 | 67,685 |
| Electric Utility - Depreciation | 21,406 | 16,000 | 32,916 | 4,490 |
| Electric Utility - Customer Deposit | 39,925 | 12,065 | 8,638 | 43,352 |
| Electric Utility - Reserve | 23,586 | - | - | 23,586 |
| Fiduciary Funds: | | | | |
| Payroll | - | 315,398 | 315,398 | - |
| Payroll Transfer/Tax | 4,000 | - | - | 4,000 |
| | <u>\$ 566,911</u> | <u>\$ 3,002,564</u> | <u>\$ 3,077,294</u> | <u>\$ 492,181</u> |

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

TOWN OF FRANKTON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

The Town 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 Town 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.

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.

TOWN OF FRANKTON
NOTES TO FINANCIAL INFORMATION
(Continued)

State statute (IC 5-13-9) authorizes the Town 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.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town 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 Town 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.

TOWN OF FRANKTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 YEAR ENDING DECEMBER 31, 2009

The Town has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|--------------------------------|--------------------------------|---|
| Business-type activities: | | |
| Water Utility: | | |
| Loans: | | |
| Water plant improvements | \$ 320,749 | \$ 36,000 |
| Rural Development Loan of 1979 | <u>181,000</u> | <u>28,450</u> |
| Total Water Utility | <u>\$ 501,749</u> | <u>\$ 64,450</u> |

TOWN OF FRANKTON
EXIT CONFERENCE

The contents of this report were discussed on July 8, 2010, with Katherine G. Hudson, Clerk-Treasurer; and Howard Sowers, President of the Town Council. Our examination disclosed no material items that warrant comment at this time.