

B39899

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF FRANKFORT

CLINTON COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
12/08/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Suter	01-01-08 to 12-31-11
Mayor	Chris Pippenger	01-01-08 to 12-31-11
President of the Board of Public Works	Chris Pippenger	01-01-10 to 12-31-11
President of the Utility Service Board	Victor Unroe Betty Wheeler Joe Root	10-01-09 to 09-30-10 10-01-10 to 09-30-11 10-01-11 to 09-30-12
President of the Common Council	James Moyer	01-01-10 to 12-31-11
Superintendent of Water Utility	Wesley Hyden	01-01-10 to 12-31-11
Superintendent of Wastewater Utility	Dennis Shirar	01-01-10 to 12-31-11
Superintendent of Electric Utility	Steve Miller	01-01-10 to 12-31-11
Utility Office Manager	Susan O'Brien Janet Marcum (Interim) Stacy Uitts	01-01-10 to 09-30-11 10-01-11 to 10-19-11 10-20-11 to 12-31-11



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 statement of the City of Frankfort (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 3, 2011

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FINANCIAL STATEMENT

The financial statement and accompanying notes were prepared by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF FRANKFORT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 436,975	\$ 13,178,421	\$ 11,585,350	\$ 2,030,046
Motor Vehicle Highway	15,459	879,474	723,300	171,633
Local Road And Street	99,127	55,763	117,627	37,263
Emergency Medical Services/Ambulanc	82,077	198,905	171,995	108,987
Economic Development Operating	306,487	1,535,034	191,718	1,649,803
CDBG Grant (Roundhouse)	-	35,200	32,650	2,550
Law Enforcement Continuing Ed	42,596	11,976	15,971	38,601
Clerk's Records Perpetuation	2,309	543	-	2,852
Deferral Program	1,156	2,724	1,500	2,380
Unsafe Building	12,663	38	1,380	11,321
Riverboat	181,854	474	66,747	115,581
Police Equipment Grant	-	16,671	16,629	42
Emergency Telephone System	31,480	64,383	56,657	39,206
Rainy Day	226,012	229,392	64,270	391,134
Hazardous Materials	1,497	1,024	-	2,521
Criminal Justice Institute Grant	132	12,604	12,578	158
Levy Excess	-	16,184	-	16,184
Court Fees	-	3,752	3,752	-
City Court	6,193	48,717	50,646	4,264
LOIT - Public Safety	-	144,733	-	144,733
Municipal Pool Equipment Escrow	8,449	-	-	8,449
Flower Fund	424	1,151	1,073	502
Grass Lien	30,096	64,763	25,790	69,069
Police Forfeiture	39,526	111	9,395	30,242
Softball League	819	301	1,120	-
TPA Park Festival	18,742	21,947	24,375	16,314
Trash User Fee	339,294	464,134	367,299	436,129
Hydrant Fee	-	-	-	-
Police Equipment And Training	2,207	4,194	4,596	1,805
Clerk-Treasurer Administrative	1,406	2,358	-	3,764
City Eng Equipment And Training	125	759	125	759
Chris Pippenger Donation	8,311	-	1,004	7,307
Fire Equipment Grant	858	2	-	860
Special Donations	55,427	22,108	30,280	47,255
Petting Zoo Donations	677	1,571	1,927	321
Chipper Grant	894	2	896	-
Police Pension #1	263,409	441,206	461,419	243,196
Fire Pension #1	160,277	650,992	744,554	66,715
Cumulative Capl Imprv Cigarette Tax	267,640	49,651	82,915	234,376
Cumulative Capital Development	-	43,590	-	43,590
Cumulative Fire	312,562	100,004	136,538	276,028
Sidewalk Maint/Improvement	95	40,295	36,544	3,846
Payroll	149,932	10,492,591	10,552,990	89,533
Billing Office Operating	46,394	617,750	629,875	34,269
Utility Auditor Operating	11,487	66,062	64,063	13,486
Utility Retirement Investment	4,156,018	33,039	-	4,189,057
Utility Retirement Regular	386,681	270,343	136,904	520,120
Utility Service Board	220,736	1,354,963	1,421,687	154,012
Utility Credit Card	30,129	542,409	539,590	32,948
Utility Meter Revolving	4,000	-	-	4,000
Electric Utility-Operating	2,057,739	26,338,883	27,456,271	940,351
Electric Utility-Deprec/Improve	549,260	355,608	56,921	847,947
Electric Utility-Customer Deposit	192,207	77,065	78,628	190,644
Electric Utility-Construction	285,461	1,365,251	64,179	1,586,533
Electric Utility Operating Invest	404,253	2,815	-	407,068
Electric Depreciation Invest	508,440	5,411	5	513,846
Electric Construction Investment	703,390	1,165	-	704,555
Storm Water Utility-Operating	371,614	1,409,659	846,429	934,844
Wastewater Utility-Operating	391,184	4,129,572	3,930,384	590,372
Wastewater Util-Bond And Interest	-	375,896	375,747	149
Wastewater Utility-Deprec/Improve	298,619	360,967	284,357	375,229
Wastewater Utility-Customer Deposit	50,899	22,395	21,500	51,794
Wastewater Utility-Construction	278,382	601,934	182,589	697,727
2010 Sewage Works Bond	-	10,051,907	669,243	9,382,664
Wastewater Utility-Debt Reserve	-	74,387	-	74,387
Wastewater Depreciation Invest	202,163	1,470	-	203,633
Water Utility-Operating	373,071	3,590,026	3,452,856	510,241
Water Utility-Bond And Interest	-	485,435	485,186	249
Water Utility-Depreciation/Improve	150,438	341,193	60,158	431,473
Water Utility-Customer Deposit	22,758	12,020	10,344	24,434
Water Utility-Construction	373,571	1,371,110	1,486,030	258,651
Water Utility-Debt Reserve	-	113,230	-	113,230
Water Operating Investment	303,338	2,158	-	305,496
Water Depreciation Invest	100,953	780	-	101,733
Waterworks Construction Bonds Proc	5,735,747	22,875	3,363,170	2,395,452
Totals	<u>\$ 21,316,119</u>	<u>\$ 82,835,520</u>	<u>\$ 71,211,726</u>	<u>\$ 32,939,913</u>

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

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Special assessments which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

License and permits which includes amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of license and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations; fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which includes receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

Personal services which includes outflows for salaries, wages and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which includes articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Debt service principle and interest which includes fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, machinery and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 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.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

PERF 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

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the City. It is presented as intended by the City.

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Emergency Medical Services/Ambulanc	Economic Development Operating	Cdbg Grant (Roundhouse)	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 436,975	\$ 15,459	\$ 99,127	\$ 82,077	\$ 306,487	\$ -	\$ 42,596
Receipts:							
Taxes	9,075,619	325,657	-	-	-	-	-
Licenses and permits	19,124	-	-	-	-	-	3,090
Intergovernmental	2,364,592	548,447	55,475	-	578,906	35,200	-
Charges for services	565,164	2,940	-	-	-	-	6,656
Fines and forfeits	11,382	-	-	-	-	-	2,146
Utility fees	-	-	-	-	-	-	-
Other receipts	1,142,540	2,430	288	198,905	956,128	-	84
Total receipts	<u>13,178,421</u>	<u>879,474</u>	<u>55,763</u>	<u>198,905</u>	<u>1,535,034</u>	<u>35,200</u>	<u>11,976</u>
Disbursements:							
Personal services	4,468,514	515,195	-	171,995	-	32,650	-
Supplies	173,966	78,948	18,652	-	-	-	4,182
Other services and charges	3,354,717	79,157	98,975	-	80,930	-	11,536
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	19,366	-	-	-	108,288	-	253
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,568,787	50,000	-	-	2,500	-	-
Total disbursements	<u>11,585,350</u>	<u>723,300</u>	<u>117,627</u>	<u>171,995</u>	<u>191,718</u>	<u>32,650</u>	<u>15,971</u>
Excess (deficiency) of receipts over disbursements	<u>1,593,071</u>	<u>156,174</u>	<u>(61,864)</u>	<u>26,910</u>	<u>1,343,316</u>	<u>2,550</u>	<u>(3,995)</u>
Cash and investments - ending	<u>\$ 2,030,046</u>	<u>\$ 171,633</u>	<u>\$ 37,263</u>	<u>\$ 108,987</u>	<u>\$ 1,649,803</u>	<u>\$ 2,550</u>	<u>\$ 38,601</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Clerk's Records Perpetuation	Deferral Program	Unsafe Building	Riverboat	Poli Ce Equipment Grant	Emergency Telephone System	Rainy Day
Cash and investments - beginning	\$ 2,309	\$ 1,156	\$ 12,663	\$ 181,854	\$ -	\$ 31,480	\$ 226,012
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	16,671	-	228,172
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	535	2,720	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	8	4	38	474	-	64,383	1,220
Total receipts	543	2,724	38	474	16,671	64,383	229,392
Disbursements:							
Personal services	-	1,500	1,380	-	16,629	56,657	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	35,821	-	-	6,690
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	30,926	-	-	57,580
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	1,500	1,380	66,747	16,629	56,657	64,270
Excess (deficiency) of receipts over disbursements	543	1,224	(1,342)	(66,273)	42	7,726	165,122
Cash and investments - ending	\$ 2,852	\$ 2,380	\$ 11,321	\$ 115,581	\$ 42	\$ 39,206	\$ 391,134

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Hazardous Materials	Criminal Justice Institute Grant	Levy Excess	Court Fees	City Court	Loit-Public Safety	Municipal Pool Equipment Escrow
Cash and investments - beginning	\$ 1,497	\$ 132	\$ -	\$ -	\$ 6,193	\$ -	\$ 8,449
Receipts:							
Taxes	-	-	16,184	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	144,629	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	3,752	48,717	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,024	12,604	-	-	-	104	-
Total receipts	1,024	12,604	16,184	3,752	48,717	144,733	-
Disbursements:							
Personal services	-	10,378	-	3,752	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	2,200	-	-	50,646	-	-
Total disbursements	-	12,578	-	3,752	50,646	-	-
Excess (deficiency) of receipts over disbursements	1,024	26	16,184	-	(1,929)	144,733	-
Cash and investments - ending	\$ 2,521	\$ 158	\$ 16,184	\$ -	\$ 4,264	\$ 144,733	\$ 8,449

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Flower Fund	Grass Lien	Police Forfeiture	Softball League	Tpa Park Festival	Trash User Fee	Hydrant Fee
Cash and investments - beginning	\$ 424	\$ 30,096	\$ 39,526	\$ 819	\$ 18,742	\$ 339,294	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	64,642	-	-	-	462,928	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,151	121	111	301	21,947	1,206	-
Total receipts	<u>1,151</u>	<u>64,763</u>	<u>111</u>	<u>301</u>	<u>21,947</u>	<u>464,134</u>	<u>-</u>
Disbursements:							
Personal services	-	25,790	9,395	1,120	24,375	186,441	-
Supplies	1,073	-	-	-	-	19,075	-
Other services and charges	-	-	-	-	-	161,783	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>1,073</u>	<u>25,790</u>	<u>9,395</u>	<u>1,120</u>	<u>24,375</u>	<u>367,299</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>78</u>	<u>38,973</u>	<u>(9,284)</u>	<u>(819)</u>	<u>(2,428)</u>	<u>96,835</u>	<u>-</u>
Cash and investments - ending	<u>\$ 502</u>	<u>\$ 69,069</u>	<u>\$ 30,242</u>	<u>\$ -</u>	<u>\$ 16,314</u>	<u>\$ 436,129</u>	<u>\$ -</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Equipment And Training	Clerk-Treasurer Administrative	City Eng Equipment And Training	Chris Pippenger Donation	Fire Equipment Grant	Special Donations	Petting Zoo Donations
Cash and investments - beginning	\$ 2,207	\$ 1,406	\$ 125	\$ 8,311	\$ 858	\$ 55,427	\$ 677
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	4,185	2,352	758	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	9	6	1	-	2	22,108	1,571
Total receipts	<u>4,194</u>	<u>2,358</u>	<u>759</u>	<u>-</u>	<u>2</u>	<u>22,108</u>	<u>1,571</u>
Disbursements:							
Personal services	4,596	-	125	1,004	-	30,280	1,927
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>4,596</u>	<u>-</u>	<u>125</u>	<u>1,004</u>	<u>-</u>	<u>30,280</u>	<u>1,927</u>
Excess (deficiency) of receipts over disbursements	<u>(402)</u>	<u>2,358</u>	<u>634</u>	<u>(1,004)</u>	<u>2</u>	<u>(8,172)</u>	<u>(356)</u>
Cash and investments - ending	<u>\$ 1,805</u>	<u>\$ 3,764</u>	<u>\$ 759</u>	<u>\$ 7,307</u>	<u>\$ 860</u>	<u>\$ 47,255</u>	<u>\$ 321</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Chipper Grant	Police Pension #1	Fire Pension #1	Drop Retain Fund	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Cumulative Fire
Cash and investments - beginning	\$ 894	\$ 263,409	\$ 160,277	\$ -	\$ 267,640	\$ -	\$ 312,562
Receipts:							
Taxes	-	4,763	4,741	-	-	39,186	92,701
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	435,741	645,933	-	48,786	4,404	6,259
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2	702	318	-	865	-	1,044
Total receipts	2	441,206	650,992	-	49,651	43,590	100,004
Disbursements:							
Personal services	896	461,125	744,554	-	-	-	-
Supplies	-	75	-	-	-	-	-
Other services and charges	-	48	-	-	-	-	120,285
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	171	-	-	82,915	-	16,253
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	896	461,419	744,554	-	82,915	-	136,538
Excess (deficiency) of receipts over disbursements	(894)	(20,213)	(93,562)	-	(33,264)	43,590	(36,534)
Cash and investments - ending	\$ -	\$ 243,196	\$ 66,715	\$ -	\$ 234,376	\$ 43,590	\$ 276,028

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Sidewalk Maint/Improvement	Payroll	Billing Office Operating	Utility Auditor Operating	Utility Retirement Investment	Utility Retirement Regular	Utility Service Board
Cash and investments - beginning	\$ 95	\$ 149,932	\$ 46,394	\$ 11,487	\$ 4,156,018	\$ 386,681	\$ 220,736
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	40,069	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	226	10,492,591	617,750	66,062	33,039	270,343	1,354,963
Total receipts	40,295	10,492,591	617,750	66,062	33,039	270,343	1,354,963
Disbursements:							
Personal services	36,544	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	629,875	64,063	-	136,904	1,421,687
Other disbursements	-	10,552,990	-	-	-	-	-
Total disbursements	36,544	10,552,990	629,875	64,063	-	136,904	1,421,687
Excess (deficiency) of receipts over disbursements	3,751	(60,399)	(12,125)	1,999	33,039	133,439	(66,724)
Cash and investments - ending	\$ 3,846	\$ 89,533	\$ 34,269	\$ 13,486	\$ 4,189,057	\$ 520,120	\$ 154,012

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Utility Credit Cards	Utility Meter Revolving	Electric Utility-Operating	Electric Utility-Deprec/Improve	Electric Utility-Customer Deposit	Electric Utility-Construction	Electric Utility Operating Invest
Cash and investments - beginning	\$ 30,129	\$ 4,000	\$ 2,057,739	\$ 549,260	\$ 192,207	\$ 285,461	\$ 404,253
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	26,315,736	-	-	-	-
Other receipts	542,409	-	23,147	355,608	77,065	1,365,251	2,815
Total receipts	542,409	-	26,338,883	355,608	77,065	1,365,251	2,815
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	26,159,845	-	78,628	-	-
Other disbursements	539,590	-	1,296,426	56,921	-	64,179	-
Total disbursements	539,590	-	27,456,271	56,921	78,628	64,179	-
Excess (deficiency) of receipts over disbursements	2,819	-	(1,117,388)	298,687	(1,563)	1,301,072	2,815
Cash and investments - ending	\$ 32,948	\$ 4,000	\$ 940,351	\$ 847,947	\$ 190,644	\$ 1,586,533	\$ 407,068

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Electric Depreciation Invest	Electric Construction Investment	Storm Water Utility-Operating	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve	Wastewater Utility-Customer Deposit
Cash and investments - beginning	\$ 508,440	\$ 703,390	\$ 371,614	\$ 391,184	\$ -	\$ 298,619	\$ 50,899
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	3,620,260	-	-	-
Other receipts	5,411	1,165	1,409,659	509,312	375,896	360,967	22,395
Total receipts	5,411	1,165	1,409,659	4,129,572	375,896	360,967	22,395
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	375,747	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	846,429	2,184,577	-	-	21,500
Other disbursements	5	-	-	1,745,807	-	284,357	-
Total disbursements	5	-	846,429	3,930,384	375,747	284,357	21,500
Excess (deficiency) of receipts over disbursements	5,406	1,165	563,230	199,188	149	76,610	895
Cash and investments - ending	\$ 513,846	\$ 704,555	\$ 934,844	\$ 590,372	\$ 149	\$ 375,229	\$ 51,794

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Utility-Construction	2010 Sewage Works Bond	Wastewater Utility-Debt Reserve	Wastewater Depreciation Invest	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/Improve
Cash and investments - beginning	\$ 278,382	\$ -	\$ -	\$ 202,163	\$ 373,071	\$ -	\$ 150,438
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	3,558,918	-	-
Other receipts	601,934	10,051,907	74,387	1,470	31,108	485,435	341,193
Total receipts	601,934	10,051,907	74,387	1,470	3,590,026	485,435	341,193
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	485,186	-
Capital outlay	182,589	669,243	-	-	-	-	-
Utility operating expenses	-	-	-	-	1,996,359	-	-
Other disbursements	-	-	-	-	1,456,497	-	60,158
Total disbursements	182,589	669,243	-	-	3,452,856	485,186	60,158
Excess (deficiency) of receipts over disbursements	419,345	9,382,664	74,387	1,470	137,170	249	281,035
Cash and investments - ending	\$ 697,727	\$ 9,382,664	\$ 74,387	\$ 203,633	\$ 510,241	\$ 249	\$ 431,473

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Utility-Customer Deposit	Water Utility-Construction	Water Utility-Debt Reserve	Water Operating Investment	Water Depreciation Invest	Waterworks Construction Bonds Proc	Totals
Cash and investments - beginning	\$ 22,758	\$ 373,571	\$ -	\$ 303,338	\$ 100,953	\$ 5,735,747	\$ 21,316,119
Receipts:							
Taxes	-	-	-	-	-	-	9,558,851
Licenses and permits	-	-	-	-	-	-	22,214
Intergovernmental	-	-	-	-	-	-	5,113,215
Charges for services	-	-	-	-	-	-	1,142,399
Fines and forfeits	-	-	-	-	-	-	76,547
Utility fees	-	-	-	-	-	-	33,494,914
Other receipts	12,020	1,371,110	113,230	2,158	780	22,875	33,427,380
Total receipts	<u>12,020</u>	<u>1,371,110</u>	<u>113,230</u>	<u>2,158</u>	<u>780</u>	<u>22,875</u>	<u>82,835,520</u>
Disbursements:							
Personal services	-	-	-	-	-	-	6,806,822
Supplies	-	-	-	-	-	-	295,971
Other services and charges	-	-	-	-	-	-	3,949,942
Debt service - principal and interest	-	-	-	-	-	-	860,933
Capital outlay	-	1,486,030	-	-	-	3,363,170	6,016,784
Utility operating expenses	10,344	-	-	-	-	-	33,550,211
Other disbursements	-	-	-	-	-	-	19,731,063
Total disbursements	<u>10,344</u>	<u>1,486,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,363,170</u>	<u>71,211,726</u>
Excess (deficiency) of receipts over disbursements	<u>1,676</u>	<u>(114,920)</u>	<u>113,230</u>	<u>2,158</u>	<u>780</u>	<u>(3,340,295)</u>	<u>11,623,794</u>
Cash and investments - ending	<u>\$ 24,434</u>	<u>\$ 258,651</u>	<u>\$ 113,230</u>	<u>\$ 305,496</u>	<u>\$ 101,733</u>	<u>\$ 2,395,452</u>	<u>\$ 32,939,913</u>

CITY OF FRANKFORT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 144,954
Buildings	4,297,175
Machinery and equipment	<u>6,961,362</u>
Total governmental activities, capital assets	<u>\$ 11,403,491</u>
Business-type activities:	
Water Utility:	
Land & Land Rights	\$ 171,810
Construction in Progress	3,019,694
Buildings	796,000
Improvements Other than Buildings	1,118,863
Machinery and equipment	263,729
Transportation	258,394
Dist/Collections	<u>9,308,395</u>
Total Water Utility capital assets	<u>14,936,885</u>
Wastewater Utility:	
Land & Land Rights	217,220
Construction in Progress	808,655
Buildings	7,355,107
Improvements Other than Buildings	90,576
Machinery and equipment	1,418,866
Transportation	665,622
Dist/Collections	<u>10,843,703</u>
Total Wastewater Utility capital assets	<u>21,399,749</u>
Electric Utility:	
Land & Land Rights	154,093
Buildings	5,784,807
Improvements Other than Buildings	1,001,711
Machinery and equipment	1,653,233
Transportation	1,292,102
Dist/Collections	<u>10,564,249</u>
Total Electric Utility capital assets	<u>20,450,195</u>
Total business-type activities capital assets	<u>\$ 56,786,829</u>

CITY OF FRANKFORT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire Truck	\$ 531,747	\$ 120,285
Total governmental activities debt	<u>\$ 531,747</u>	<u>\$ 120,285</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
2009 Water Bonds	\$ 6,500,000	\$ 485,085
Total Water Utility	<u>6,500,000</u>	<u>485,085</u>
Wastewater Utility:		
Revenue bonds:		
2010 Wastewater Bonds	<u>9,890,000</u>	<u>743,488</u>
Total Wastewater Utility	<u>9,890,000</u>	<u>743,488</u>
Total business-type activities debt	<u>\$ 16,390,000</u>	<u>\$ 1,228,573</u>

CITY OF FRANKFORT
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not completed in a timely manner for our examination period.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or 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)

OVERPAYMENT COLLECTIONS

Overpayments of \$347.87 and \$405.96 were made to the Police and Fire Pension members, respectively. The unit has sent notices to the affected individuals, informing them that their October 2011 benefit will be reduced by the amount that was overpaid in 2010.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

The Annual Report prepared by the unit omitted the City Court Fund, the Utility Credit Card Fund, and the Meter Revolving Fund. The City concurred with the adjustments made to add these funds to the financial statement for the examination period.

Indiana Code 5-11-1-4 states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The following deficiency relating to the recordkeeping was cited during our period of examination:

There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks not posted properly. The unit has identified these errors, and has adjusted the financial statement accordingly.

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)

CITY OF FRANKFORT
EXIT CONFERENCE

The contents of this report were discussed on November 17, 2011, with Judith Suter, Clerk-Treasurer; Eric Woods, Council member; James Moyer, President of the Common Council; Chris Pippenger, Mayor; and Chris McBarnes, Mayor-Elect. The officials concurred with our findings.