

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, 2011 to December 31, 2011



FILED
10/17/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6
Notes to Financial Statement.....	7-12
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-24
Schedule of Leases and Debt	25
Schedule of Capital Assets.....	26
Examination Result and Comment:	
Payroll Reporting	27
Exit Conference.....	28

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Suter	01-01-08 to 12-31-15
Mayor	Chris Pippenger Chris McBarnes	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works	Chris Pippenger Chris McBarnes	01-01-11 to 12-31-11 01-01-12 to 12-31-12
President of the Common Council	James Moyer	01-01-11 to 12-31-12
Superintendent of Water Utility	Wesley Hyden	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Dennis Shirar	01-01-11 to 12-31-12
Superintendent of Electric Utility	Steve Miller	01-01-11 to 12-31-12
Utility Office Manager	Susan O'Brien Janet Marcum (Interim) Stacy Uitts	01-01-11 to 09-30-11 10-01-11 to 10-19-11 10-20-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the City of Frankfort (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement 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.

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, 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, 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, Common Council, and others within the entity 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

August 14, 2012

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved 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, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 2,030,046	\$ 8,248,140	\$ 8,631,877	\$ 1,646,309
Motor Vehicle Highway	171,633	749,264	708,465	212,432
Local Road And Street	37,263	53,825	63,315	27,773
Emergency Medical Services/Ambulanc	108,987	-	4,799	104,188
Economic Development Operating	1,649,803	504,495	944,314	1,209,984
Law Enforcement Continuing Ed	38,601	13,315	28,168	23,748
Clerk's Records Perpetuation	2,852	473	-	3,325
Deferral Program	2,380	942	-	3,322
Unsafe Building	11,321	7	1,969	9,359
Riverboat	115,581	208,543	115,111	209,013
Emergency Telephone System	39,206	-	-	39,206
Rainy Day	391,134	-	-	391,134
Hazardous Materials	2,522	-	-	2,522
Levy Excess	16,184	-	16,184	-
Cumulative Capl Imprv Cigarette Tax	234,376	47,849	40,354	241,871
Cumulative Capital Development	43,590	89,318	-	132,908
Cumulative Fire	276,028	53,013	146,366	182,675
City Court	4,264	39,893	41,410	2,747
Cdbg Grant (Roundhouse)	2,550	19,800	22,350	-
Police Equipment Grant	42	-	-	42
Criminal Justice Institute Grant	158	11,216	11,266	108
Court Fees	-	3,394	3,394	-
Loit-Public Safety	144,733	199,150	113,002	230,881
Municipal Pool Equipment Escrow	8,449	235	5,899	2,785
Flower Fund	502	943	924	521
Grass Lien	69,069	52,257	74,852	46,474
Police Forfeiture	30,243	-	-	30,243
Tpa Park Festival	16,314	18,617	17,619	17,312
Trash User Fee	436,129	459,440	414,732	480,837
Police Equipment And Training	1,805	1,833	1,552	2,086
Clerk-Treasurer Administrative	3,764	1,098	1,626	3,236
City Eng Equipment And Training	759	363	1,059	63
Chris Pippenger Donation	7,307	-	7,307	-
Fire Equipment Grant	860	-	-	860
Special Donations	47,255	39,299	64,665	21,889
Petting Zoo Donations	321	1,268	1,563	26
Police Pension #1	243,195	442,354	440,241	245,308
Fire Pension #1	66,715	751,981	792,437	26,259
Sidewalk Maint/Improvement	3,846	19,178	23,024	-
Payroll	89,532	9,886,518	9,900,972	75,078
Revolving Meter	4,000	102,846	102,846	4,000
Electric Utility-Operating	1,347,419	28,357,959	28,444,240	1,261,138
Electric Utility-Deprec/Improve	1,361,792	225,702	249,305	1,338,189
Electric Utility-Customer Deposit	190,644	85,200	74,471	201,373
Electric Utility-Construction	2,291,087	231,841	1,035,467	1,487,461
Storm Water Utility-Operating	934,844	789,105	711,997	1,011,952
Wastewater Utility-Operating	590,372	4,519,095	4,501,758	607,709
Wastewater Util-Bond And Interest	149	743,487	743,487	149
Wastewater Utility-Deprec/Improve	578,861	300,000	224,671	654,190
Wastewater Utility-Customer Deposit	51,794	24,618	18,960	57,452
Wastewater Utility-Construction	697,727	300,000	11,315	986,412
2010 Sewage Works Bond	9,382,664	15,028	7,033,628	2,364,064
Wastewater Utility-Debt Reserve	74,387	148,698	-	223,085
Water Utility-Operating	815,738	3,584,771	3,602,832	797,677
Water Utility-Bond And Interest	249	485,085	485,085	249
Water Utility-Depreciation/Improve	533,205	245,000	53,203	725,002
Water Utility-Customer Deposit	24,434	13,263	9,585	28,112
Water Utility-Construction	258,651	305,195	175,424	388,422
Water Utility-Debt Reserve	113,230	113,100	-	226,330
Waterworks Construction Bonds Proc	2,395,452	2,376	1,781,133	616,695
Utility Credit Card	32,949	613,066	607,966	38,049
Billing Office Operating	34,271	657,236	640,746	50,761
Utility Auditor Operating	13,487	120,826	102,260	32,053
Utility Service Board	154,011	1,606,890	1,421,029	339,872
Utility Retirement Regular	4,709,177	281,659	148,817	4,842,019
Totals	\$ 32,939,913	\$ 65,790,067	\$ 74,821,041	\$ 23,908,939

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.

Licenses and permits which include 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 licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are 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 include 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).

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

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

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:

Personal services include 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 include 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 include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include 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.

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

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 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.

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

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 should be 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 statutes authorize 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 any replacement items purchased.

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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF FRANKFORT
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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 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, 2011

	General	Motor Vehicle Highway	Local Road and Street	Emergency Medical Services/ Ambulanc	Economic Development Operating	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 2,030,046	\$ 171,633	\$ 37,263	\$ 108,987	\$ 1,649,803	\$ 38,601
Receipts:						
Taxes	4,835,909	298,972	-	-	-	-
Licenses and permits	19,166	-	-	-	-	3,720
Intergovernmental	2,152,789	450,091	53,825	-	501,516	-
Charges for services	231,549	-	-	-	-	7,944
Fines and forfeits	17,418	-	-	-	-	1,651
Utility fees	-	-	-	-	-	-
Other receipts	991,309	201	-	-	2,979	-
Total receipts	<u>8,248,140</u>	<u>749,264</u>	<u>53,825</u>	<u>-</u>	<u>504,495</u>	<u>13,315</u>
Disbursements:						
Personal services	4,285,307	533,612	-	-	-	-
Supplies	186,020	108,302	523	-	-	14,893
Other services and charges	3,104,999	66,551	62,792	-	59,279	13,275
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	19,808	-	-	-	885,035	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,035,743	-	-	4,799	-	-
Total disbursements	<u>8,631,877</u>	<u>708,465</u>	<u>63,315</u>	<u>4,799</u>	<u>944,314</u>	<u>28,168</u>
Excess (deficiency) of receipts over disbursements	<u>(383,737)</u>	<u>40,799</u>	<u>(9,490)</u>	<u>(4,799)</u>	<u>(439,819)</u>	<u>(14,853)</u>
Cash and investments - ending	<u>\$ 1,646,309</u>	<u>\$ 212,432</u>	<u>\$ 27,773</u>	<u>\$ 104,188</u>	<u>\$ 1,209,984</u>	<u>\$ 23,748</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Clerk's Records Perpetuation	Deferral Program	Unsafe Building	Riverboat	Emergency Telephone System	Rainy Day
Cash and investments - beginning	\$ 2,852	\$ 2,380	\$ 11,321	\$ 115,581	\$ 39,206	\$ 391,134
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	208,543	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	473	942	7	-	-	-
Total receipts	<u>473</u>	<u>942</u>	<u>7</u>	<u>208,543</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	60,111	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	55,000	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	1,969	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>1,969</u>	<u>115,111</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>473</u>	<u>942</u>	<u>(1,962)</u>	<u>93,432</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,325</u>	<u>\$ 3,322</u>	<u>\$ 9,359</u>	<u>\$ 209,013</u>	<u>\$ 39,206</u>	<u>\$ 391,134</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Hazardous Materials	Levy Excess	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Cumulative Fire	City Court
Cash and investments - beginning	\$ 2,522	\$ 16,184	\$ 234,376	\$ 43,590	\$ 276,028	\$ 4,264
Receipts:						
Taxes	-	-	-	81,266	48,282	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	47,849	8,052	4,731	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	39,893
Total receipts	-	-	47,849	89,318	53,013	39,893
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	20,325	-	142,987	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	20,029	-	3,379	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	16,184	-	-	-	41,410
Total disbursements	-	16,184	40,354	-	146,366	41,410
Excess (deficiency) of receipts over disbursements	-	(16,184)	7,495	89,318	(93,353)	(1,517)
Cash and investments - ending	\$ 2,522	\$ -	\$ 241,871	\$ 132,908	\$ 182,675	\$ 2,747

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cdbg Grant (Roundhouse)	Police Equipment Grant	Criminal Justice Institute Grant	Court Fees	Loit-Public Safety	Municipal Pool Equipment Escrow
Cash and investments - beginning	\$ 2,550	\$ 42	\$ 158	\$ -	\$ 144,733	\$ 8,449
Receipts:						
Taxes	-	-	-	-	199,150	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	3,394	-	-
Utility fees	-	-	-	-	-	-
Other receipts	19,800	-	11,216	-	-	235
Total receipts	<u>19,800</u>	<u>-</u>	<u>11,216</u>	<u>3,394</u>	<u>199,150</u>	<u>235</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	113,002	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	22,350	-	11,266	3,394	-	5,899
Total disbursements	<u>22,350</u>	<u>-</u>	<u>11,266</u>	<u>3,394</u>	<u>113,002</u>	<u>5,899</u>
Excess (deficiency) of receipts over disbursements	<u>(2,550)</u>	<u>-</u>	<u>(50)</u>	<u>-</u>	<u>86,148</u>	<u>(5,664)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 42</u>	<u>\$ 108</u>	<u>\$ -</u>	<u>\$ 230,881</u>	<u>\$ 2,785</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Flower Fund	Grass Lien	Police Forfeiture	Tpa Park Festival	Trash User Fee	Police Equipment and Training
Cash and investments - beginning	\$ 502	\$ 69,069	\$ 30,243	\$ 16,314	\$ 436,129	\$ 1,805
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	459,440	-
Fines and forfeits	-	52,257	-	-	-	1,833
Utility fees	-	-	-	-	-	-
Other receipts	943	-	-	18,617	-	-
Total receipts	<u>943</u>	<u>52,257</u>	<u>-</u>	<u>18,617</u>	<u>459,440</u>	<u>1,833</u>
Disbursements:						
Personal services	-	-	-	-	195,425	-
Supplies	-	-	-	-	37,915	-
Other services and charges	-	-	-	-	181,392	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	924	74,852	-	17,619	-	1,552
Total disbursements	<u>924</u>	<u>74,852</u>	<u>-</u>	<u>17,619</u>	<u>414,732</u>	<u>1,552</u>
Excess (deficiency) of receipts over disbursements	<u>19</u>	<u>(22,595)</u>	<u>-</u>	<u>998</u>	<u>44,708</u>	<u>281</u>
Cash and investments - ending	<u>\$ 521</u>	<u>\$ 46,474</u>	<u>\$ 30,243</u>	<u>\$ 17,312</u>	<u>\$ 480,837</u>	<u>\$ 2,086</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Clerk-Treasurer Administrative	City Eng Equipment and Training	Chris Pippenger Donation	Fire Equipment Grant	Special Donations	Petting Zoo Donations
Cash and investments - beginning	\$ 3,764	\$ 759	\$ 7,307	\$ 860	\$ 47,255	\$ 321
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	1,098	363	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	39,299	1,268
Total receipts	<u>1,098</u>	<u>363</u>	<u>-</u>	<u>-</u>	<u>39,299</u>	<u>1,268</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,626	1,059	7,307	-	64,665	1,563
Total disbursements	<u>1,626</u>	<u>1,059</u>	<u>7,307</u>	<u>-</u>	<u>64,665</u>	<u>1,563</u>
Excess (deficiency) of receipts over disbursements	<u>(528)</u>	<u>(696)</u>	<u>(7,307)</u>	<u>-</u>	<u>(25,366)</u>	<u>(295)</u>
Cash and investments - ending	<u>\$ 3,236</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 860</u>	<u>\$ 21,889</u>	<u>\$ 26</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Police Pension #1	Fire Pension #1	Sidewalk Maint/ Improvement	Payroll	Revolving Meter	Electric Utility- Operating
Cash and investments - beginning	\$ 243,195	\$ 66,715	\$ 3,846	\$ 89,532	\$ 4,000	\$ 1,347,419
Receipts:						
Taxes	440,439	751,409	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	498	498	-	-	-	-
Charges for services	-	-	19,178	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	27,078,578
Other receipts	1,417	74	-	9,886,518	102,846	1,279,381
Total receipts	<u>442,354</u>	<u>751,981</u>	<u>19,178</u>	<u>9,886,518</u>	<u>102,846</u>	<u>28,357,959</u>
Disbursements:						
Personal services	439,003	792,128	-	-	-	-
Supplies	139	109	-	-	-	-
Other services and charges	1,099	200	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	27,994,240
Other disbursements	-	-	23,024	9,900,972	102,846	450,000
Total disbursements	<u>440,241</u>	<u>792,437</u>	<u>23,024</u>	<u>9,900,972</u>	<u>102,846</u>	<u>28,444,240</u>
Excess (deficiency) of receipts over disbursements	<u>2,113</u>	<u>(40,456)</u>	<u>(3,846)</u>	<u>(14,454)</u>	<u>-</u>	<u>(86,281)</u>
Cash and investments - ending	<u>\$ 245,308</u>	<u>\$ 26,259</u>	<u>\$ -</u>	<u>\$ 75,078</u>	<u>\$ 4,000</u>	<u>\$ 1,261,138</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Electric Utility- Deprec/Improve	Electric Utility-Customer Deposit	Electric Utility- Construction	Storm Water Utility- Operating	Wastewater Utility- Operating	Wastewater Util-Bond and Interest
Cash and investments - beginning	\$ 1,361,792	\$ 190,644	\$ 2,291,087	\$ 934,844	\$ 590,372	\$ 149
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	787,932	3,834,709	-
Other receipts	225,702	85,200	231,841	1,173	684,386	743,487
Total receipts	<u>225,702</u>	<u>85,200</u>	<u>231,841</u>	<u>789,105</u>	<u>4,519,095</u>	<u>743,487</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	743,487
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	3,009,573	-
Other disbursements	249,305	74,471	1,035,467	711,997	1,492,185	-
Total disbursements	<u>249,305</u>	<u>74,471</u>	<u>1,035,467</u>	<u>711,997</u>	<u>4,501,758</u>	<u>743,487</u>
Excess (deficiency) of receipts over disbursements	<u>(23,603)</u>	<u>10,729</u>	<u>(803,626)</u>	<u>77,108</u>	<u>17,337</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,338,189</u>	<u>\$ 201,373</u>	<u>\$ 1,487,461</u>	<u>\$ 1,011,952</u>	<u>\$ 607,709</u>	<u>\$ 149</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Utility- Deprec/Improve	Wastewater Utility-Customer Deposit	Wastewater Utility- Construction	2010 Sewage Works Bond	Wastewater Utility- Debt Reserve	Water Utility- Operating
Cash and investments - beginning	\$ 578,861	\$ 51,794	\$ 697,727	\$ 9,382,664	\$ 74,387	\$ 815,738
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	3,528,655
Other receipts	300,000	24,618	300,000	15,028	148,698	56,116
Total receipts	<u>300,000</u>	<u>24,618</u>	<u>300,000</u>	<u>15,028</u>	<u>148,698</u>	<u>3,584,771</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	2,624,647
Other disbursements	224,671	18,960	11,315	7,033,628	-	978,185
Total disbursements	<u>224,671</u>	<u>18,960</u>	<u>11,315</u>	<u>7,033,628</u>	<u>-</u>	<u>3,602,832</u>
Excess (deficiency) of receipts over disbursements	<u>75,329</u>	<u>5,658</u>	<u>288,685</u>	<u>(7,018,600)</u>	<u>148,698</u>	<u>(18,061)</u>
Cash and investments - ending	<u>\$ 654,190</u>	<u>\$ 57,452</u>	<u>\$ 986,412</u>	<u>\$ 2,364,064</u>	<u>\$ 223,085</u>	<u>\$ 797,677</u>

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Utility- Bond and Interest	Water Utility- Depreciation/ Improve	Water Utility-Customer Deposit	Water Utility- Construction	Water Utility- Debt Reserve	Waterworks Construction Bonds Proc
Cash and investments - beginning	\$ 249	\$ 533,205	\$ 24,434	\$ 258,651	\$ 113,230	\$ 2,395,452
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	485,085	245,000	13,263	305,195	113,100	2,376
Total receipts	485,085	245,000	13,263	305,195	113,100	2,376
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	485,085	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	53,203	9,585	175,424	-	1,781,133
Total disbursements	485,085	53,203	9,585	175,424	-	1,781,133
Excess (deficiency) of receipts over disbursements	-	191,797	3,678	129,771	113,100	(1,778,757)
Cash and investments - ending	\$ 249	\$ 725,002	\$ 28,112	\$ 388,422	\$ 226,330	\$ 616,695

CITY OF FRANKFORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Utility Credit Card	Billing Office Operating	Utility Auditor Operating	Utility Service Board	Utility Retirement Regular	Totals
Cash and investments - beginning	\$ 32,949	\$ 34,271	\$ 13,487	\$ 154,011	\$ 4,709,177	\$ 32,939,913
Receipts:						
Taxes	-	-	-	-	-	6,655,427
Licenses and permits	-	-	-	-	-	22,886
Intergovernmental	-	-	-	-	-	3,428,392
Charges for services	-	-	-	-	-	718,111
Fines and forfeits	-	-	-	-	-	78,014
Utility fees	-	-	-	-	-	35,229,874
Other receipts	613,066	657,236	120,826	1,606,890	281,659	19,657,363
Total receipts	<u>613,066</u>	<u>657,236</u>	<u>120,826</u>	<u>1,606,890</u>	<u>281,659</u>	<u>65,790,067</u>
Disbursements:						
Personal services	-	-	-	-	-	6,245,475
Supplies	-	-	-	-	-	347,901
Other services and charges	-	-	-	-	-	3,713,010
Debt service - principal and interest	-	-	-	-	-	1,228,572
Capital outlay	-	-	-	-	-	1,096,253
Utility operating expenses	-	-	-	-	-	33,628,460
Other disbursements	607,966	640,746	102,260	1,421,029	148,817	28,561,370
Total disbursements	<u>607,966</u>	<u>640,746</u>	<u>102,260</u>	<u>1,421,029</u>	<u>148,817</u>	<u>74,821,041</u>
Excess (deficiency) of receipts over disbursements	<u>5,100</u>	<u>16,490</u>	<u>18,566</u>	<u>185,861</u>	<u>132,842</u>	<u>(9,030,974)</u>
Cash and investments - ending	<u>\$ 38,049</u>	<u>\$ 50,761</u>	<u>\$ 32,053</u>	<u>\$ 339,872</u>	<u>\$ 4,842,019</u>	<u>\$ 23,908,939</u>

CITY OF FRANKFORT
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Oshkosh Capital	Fire Truck	\$ 120,285	08-26-06	08-26-15
Total of annual lease payments		<u>\$ 120,285</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue bonds	Sewage Works Improvements	\$ 9,335,000	\$ 736,088
Water: Revenue bonds	Waterworks Improvements	6,165,000	490,635
Totals		<u>\$ 15,500,000</u>	<u>\$ 1,226,723</u>

CITY OF FRANKFORT
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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>Ending Balance</u>
Governmental activities:	
Land	\$ 235,652
Buildings	5,235,995
Improvements other than buildings	301,125
Machinery, equipment and vehicles	<u>140,256,880</u>
Total governmental activities	<u>146,029,652</u>
Electric:	
Land	154,093
Infrastructure	10,723,389
Buildings	5,784,807
Improvements other than buildings	1,060,670
Machinery, equipment and vehicles	<u>3,020,389</u>
Total Electric	<u>20,743,348</u>
Storm Water:	
Improvements other than buildings	221,479
Machinery, equipment and vehicles	<u>151,407</u>
Total Storm Water	<u>372,886</u>
Wastewater:	
Land	217,220
Infrastructure	10,026,094
Buildings	7,306,626
Improvements other than buildings	71,600
Machinery, equipment and vehicles	<u>1,926,622</u>
Total Wastewater	<u>19,548,162</u>
Water:	
Land	171,810
Infrastructure	9,320,294
Buildings	4,516,380
Improvements other than buildings	1,118,863
Machinery, equipment and vehicles	501,765
Construction in progress	<u>3,458,996</u>
Total Water	<u>19,088,108</u>
All Utilities:	
Improvements other than buildings	33,750
Machinery, equipment and vehicles	<u>51,630</u>
Total All Utilities	<u>85,380</u>
Total capital assets	<u><u>\$ 205,867,536</u></u>

CITY OF FRANKFORT
EXAMINATION RESULT AND COMMENT

PAYROLL REPORTING

A review of quarterly 941 reports indicated that they did not agree with the summary of W-2's presented for audit. While comparing these two sources, variances were noted in the taxable wages, Social Security wages and Medicare wages. Officials had sent an inquiry to the Internal Revenue Service Center to try and resolve this issue.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (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 September 5, 2012, with Judith Suter, Clerk-Treasurer; Eric Woods, Council member; James Moyer, President of the Common Council; and Chris McBarnes, Mayor. The officials concurred with our findings.