

**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, 2012 to December 31, 2012



**FILED**  
11/08/2013



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith Sheets	01-01-12 to 12-31-15
Mayor	Chris McBarnes	01-01-12 to 12-31-15
President of the Board of Public Works	Chris McBarnes	01-01-12 to 12-31-13
President of the Common Council	James Moyer	01-01-12 to 12-31-13
Superintendent of Water Utility	Wesley Hyden	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Dennis Shirar Brian Davis (Interim)	01-01-12 to 08-16-13 08-17-13 to 12-31-13
Superintendent o Electric Utility	Steve Miller	01-01-12 to 12-31-13
Utility Office Manager	Stacy Uitts	01-01-12 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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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, 2012. 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 Indiana 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

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, 2012, 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.

Bruce Hartman  
State Examiner

October 16, 2013

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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, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 1,646,309	\$ 8,141,348	\$ 7,596,640	\$ 2,191,017
Motor Vehicle Highway	212,432	786,866	745,282	254,016
Local Road And Street	27,774	55,075	40,000	42,849
Emergency Medical Services/Ambulanc	104,188	-	-	104,188
Economic Development Operating	1,209,985	755,582	1,296,678	668,889
Law Enforcement Continuing Ed	23,748	19,051	10,451	32,348
Clerk's Records Perpetuation	3,324	274	148	3,450
Deferral Program	3,322	850	-	4,172
Unsafe Building	9,359	-	6,825	2,534
Riverboat	209,013	97,283	92,626	213,670
Emergency Telephone System	39,206	-	-	39,206
Rainy Day	391,134	-	-	391,134
Hazardous Materials	2,522	-	-	2,522
Levy Excess	-	173,150	121,187	51,963
Cumulative Capl Imprv Cigarette Tax	241,871	43,555	87,900	197,526
Cumulative Capital Development	132,908	71,409	500	203,817
Cumulative Fire	182,674	42,251	134,000	90,925
City Court	2,746	30,143	31,447	1,442
Railroad Sign Grant	-	4,072	4,072	-
Police Equipment Grant	42	-	42	-
Criminal Justice Institute Grant	108	11,702	11,117	693
Court Fees	-	2,242	2,242	-
Loit-Public Safety	230,882	238,805	183,766	285,921
Municipal Pool Equipment Escrow	2,785	-	235	2,550
Flower Fund	521	646	632	535
Grass Lien	46,473	-	-	46,473
Police Forfeiture	30,243	-	11,445	18,798
Tpa Park Festival	17,313	18,992	20,993	15,312
Trash User Fee	480,837	458,127	427,601	511,363
Police Equipment And Training	2,085	1,419	-	3,504
Clerk-Treasurer Administrative	3,236	774	871	3,139
City Eng Equipment And Training	63	428	-	491
Fire Equipment Grant	860	-	-	860
Special Donations	21,889	38,118	29,963	30,044
Petting Zoo Donations	26	1,245	932	339
Police Pension #1	245,310	447,668	449,810	243,168
Fire Pension #1	26,259	846,716	710,536	162,439
Sidewalk Maint/Improvement	-	23,230	23,230	-
Payroll	75,078	10,404,728	10,451,053	28,753
Revolving Meter	4,000	112,171	112,171	4,000
Electric Operating Investment	407,793	808	280	408,321
Electric Depreciation Investment	515,154	990	352	515,792
Electric Construction Investment	708,687	985	-	709,672
Electric Utility-Operating	853,345	28,526,378	28,559,661	820,062
Electric Utility-Deprec/Improve	823,035	19,632	227,858	614,809
Electric Utility-Customer Deposit	201,373	83,450	82,725	202,098
Electric Utility-Construction	778,774	20,831	45,109	754,496
Storm Water Utility-Operating	1,011,953	993,165	1,052,957	952,161
Sewage Depreciation Investment	204,011	397	134	204,274
Wastewater Utility-Operating	607,709	4,243,948	4,715,847	135,810
Wastewater Util-Bond And Interest	149	736,088	736,088	149
Wastewater Utility-Deprec/Improve	450,179	300,324	131,510	618,993
Wastewater Utility-Customer Deposit	57,452	28,782	19,670	66,564
Wastewater Utility-Construction	986,412	300,710	1,000	1,286,122
2010 Sewage Works Bond	2,364,063	1,873	1,511,675	854,261
Wastewater Utility-Debt Reserve	223,085	149,270	-	372,355
Water Operating Investment	306,032	596	206	306,422
Water Depreciation Investment	101,954	198	72	102,080
Water Utility-Operating	491,645	3,682,301	3,783,811	390,135
Water Utility-Bond And Interest	249	490,635	490,635	249
Water Utility-Depreciation/Improve	623,049	240,448	23,146	840,351
Water Utility-Customer Deposit	28,112	12,370	10,148	30,334
Water Utility-Construction	388,422	120,279	-	508,701
Water Utility-Debt Reserve	226,330	113,895	-	340,225
Waterworks Construction Bonds Proc	616,695	140	48,050	568,785
Utility Credit Card	38,049	1,236,284	1,219,515	54,818
Utility Retirement Invest	4,196,375	8,145	-	4,204,520
Billing Office Operating	50,761	647,200	615,503	82,458
Utility Auditor Operating	32,052	125,328	98,065	59,315
Utility Service Board	339,872	1,756,309	1,509,721	586,460
Utility Retirement Regular	645,643	284,806	198,874	731,575
Totals	<u>\$ 23,908,939</u>	<u>\$ 66,954,485</u>	<u>\$ 67,687,007</u>	<u>\$ 23,176,417</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, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

*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 include 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.

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,

CITY OF FRANKFORT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 include 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.

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.

CITY OF FRANKFORT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

**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.

CITY OF FRANKFORT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

**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:

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.

CITY OF FRANKFORT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

*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.

CITY OF FRANKFORT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 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, 2012

	General	Motor Vehicle Highway	Local Road And Street	Emergency Medical Services/Ambulanc	Economic Development Operating	Law Enforcement Continuing Ed	Clerk's Records Perpetuation	Deferral Program
Cash and investments - beginning	\$ 1,646,309	\$ 212,432	\$ 27,774	\$ 104,188	\$ 1,209,985	\$ 23,748	\$ 3,324	\$ 3,322
Receipts:								
Taxes	4,451,379	356,978	-	-	-	-	-	-
Licenses and permits	80,694	-	-	-	-	6,595	-	-
Intergovernmental	2,619,501	351,344	53,828	-	426,884	-	-	-
Charges for services	171,593	2,940	-	-	328,698	9,046	-	-
Fines and forfeits	10,382	-	-	-	-	3,410	274	850
Utility fees	-	-	-	-	-	-	-	-
Other receipts	807,799	75,604	1,247	-	-	-	-	-
Total receipts	<u>8,141,348</u>	<u>786,866</u>	<u>55,075</u>	<u>-</u>	<u>755,582</u>	<u>19,051</u>	<u>274</u>	<u>850</u>
Disbursements:								
Personal services	4,548,735	569,891	-	-	-	-	-	-
Supplies	215,066	113,845	15,000	-	-	2,431	-	-
Other services and charges	2,793,458	60,950	25,000	-	138,432	8,020	-	-
Capital outlay	21,731	-	-	-	1,158,246	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	17,650	596	-	-	-	-	148	-
Total disbursements	<u>7,596,640</u>	<u>745,282</u>	<u>40,000</u>	<u>-</u>	<u>1,296,678</u>	<u>10,451</u>	<u>148</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>544,708</u>	<u>41,584</u>	<u>15,075</u>	<u>-</u>	<u>(541,096)</u>	<u>8,600</u>	<u>126</u>	<u>850</u>
Cash and investments - ending	<u>\$ 2,191,017</u>	<u>\$ 254,016</u>	<u>\$ 42,849</u>	<u>\$ 104,188</u>	<u>\$ 668,889</u>	<u>\$ 32,348</u>	<u>\$ 3,450</u>	<u>\$ 4,172</u>

CITY OF FRANKFORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Unsafe Building	Riverboat	Emergency Telephone System	Rainy Day	Hazardous Materials	Levy Excess	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development
Cash and investments - beginning	\$ 9,359	\$ 209,013	\$ 39,206	\$ 391,134	\$ 2,522	\$ -	\$ 241,871	\$ 132,908
Receipts:								
Taxes	-	-	-	-	-	173,150	-	70,505
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	97,283	-	-	-	-	43,555	904
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>97,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,150</u>	<u>43,555</u>	<u>71,409</u>
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	2,690	-
Other services and charges	-	92,626	-	-	-	-	36,820	-
Capital outlay	-	-	-	-	-	-	48,390	500
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	6,825	-	-	-	-	121,187	-	-
Total disbursements	<u>6,825</u>	<u>92,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,187</u>	<u>87,900</u>	<u>500</u>
Excess (deficiency) of receipts over disbursements	<u>(6,825)</u>	<u>4,657</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,963</u>	<u>(44,345)</u>	<u>70,909</u>
Cash and investments - ending	<u>\$ 2,534</u>	<u>\$ 213,670</u>	<u>\$ 39,206</u>	<u>\$ 391,134</u>	<u>\$ 2,522</u>	<u>\$ 51,963</u>	<u>\$ 197,526</u>	<u>\$ 203,817</u>

CITY OF FRANKFORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Cumulative Fire	City Court	Railroad Sign Grant	Police Equipment Grant	Criminal Justice Institute Grant	Court Fees	Loit-Public Safety	Municipal Pool Equipment Escrow
Cash and investments - beginning	\$ 182,674	\$ 2,746	\$ -	\$ 42	\$ 108	\$ -	\$ 230,882	\$ 2,785
Receipts:								
Taxes	41,521	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	730	-	-	-	8,972	-	238,805	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	2,730	2,242	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	30,143	4,072	-	-	-	-	-
Total receipts	42,251	30,143	4,072	-	11,702	2,242	238,805	-
Disbursements:								
Personal services	-	-	-	-	11,117	-	-	-
Supplies	-	-	4,072	-	-	-	-	-
Other services and charges	134,000	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	183,766	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	31,447	-	42	-	2,242	-	235
Total disbursements	134,000	31,447	4,072	42	11,117	2,242	183,766	235
Excess (deficiency) of receipts over disbursements	(91,749)	(1,304)	-	(42)	585	-	55,039	(235)
Cash and investments - ending	\$ 90,925	\$ 1,442	\$ -	\$ -	\$ 693	\$ -	\$ 285,921	\$ 2,550

CITY OF FRANKFORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Flower Fund	Grass Lien	Police Forfeiture	Tpa Park Festival	Trash User Fee	Police Equipment And Training	Clerk-Treasurer Administrative	City Eng Equipment And Training
Cash and investments - beginning	\$ 521	\$ 46,473	\$ 30,243	\$ 17,313	\$ 480,837	\$ 2,085	\$ 3,236	\$ 63
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	600	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	646	-	-	1,865	458,127	-	-	-
Fines and forfeits	-	-	-	-	-	819	624	428
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	17,127	-	-	150	-
Total receipts	<u>646</u>	<u>-</u>	<u>-</u>	<u>18,992</u>	<u>458,127</u>	<u>1,419</u>	<u>774</u>	<u>428</u>
Disbursements:								
Personal services	-	-	-	-	203,609	-	-	-
Supplies	632	-	-	-	45,582	-	-	-
Other services and charges	-	-	11,445	-	178,410	-	871	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	20,993	-	-	-	-
Total disbursements	<u>632</u>	<u>-</u>	<u>11,445</u>	<u>20,993</u>	<u>427,601</u>	<u>-</u>	<u>871</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>14</u>	<u>-</u>	<u>(11,445)</u>	<u>(2,001)</u>	<u>30,526</u>	<u>1,419</u>	<u>(97)</u>	<u>428</u>
Cash and investments - ending	<u>\$ 535</u>	<u>\$ 46,473</u>	<u>\$ 18,798</u>	<u>\$ 15,312</u>	<u>\$ 511,363</u>	<u>\$ 3,504</u>	<u>\$ 3,139</u>	<u>\$ 491</u>

CITY OF FRANKFORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Fire Equipment Grant	Special Donations	Petting Zoo Donations	Police Pension #1	Fire Pension #1	Sidewalk Maint/Improvement	Payroll	Revolving Meter
Cash and investments - beginning	\$ 860	\$ 21,889	\$ 26	\$ 245,310	\$ 26,259	\$ -	\$ 75,078	\$ 4,000
Receipts:								
Taxes	-	-	-	446,375	5,161	-	-	-
Licenses and permits	-	-	-	-	-	23,230	-	-
Intergovernmental	-	-	-	74	74	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	38,118	1,245	1,219	841,481	-	10,404,728	112,171
Total receipts	-	38,118	1,245	447,668	846,716	23,230	10,404,728	112,171
Disbursements:								
Personal services	-	-	-	447,512	706,710	-	-	-
Supplies	-	-	-	100	25	-	-	-
Other services and charges	-	29,556	932	2,198	3,801	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	407	-	-	-	23,230	10,451,053	112,171
Total disbursements	-	29,963	932	449,810	710,536	23,230	10,451,053	112,171
Excess (deficiency) of receipts over disbursements	-	8,155	313	(2,142)	136,180	-	(46,325)	-
Cash and investments - ending	\$ 860	\$ 30,044	\$ 339	\$ 243,168	\$ 162,439	\$ -	\$ 28,753	\$ 4,000

CITY OF FRANKFORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Electric Operating Investment	Electric Depreciation Investment	Electric Construction Investment	Electric Utility-Operating	Electric Utility-Deprec/Improve	Electric Utility-Customer Deposit	Electric Utility-Construction	Storm Water Utility-Operating
Cash and investments - beginning	\$ 407,793	\$ 515,154	\$ 708,687	\$ 853,345	\$ 823,035	\$ 201,373	\$ 778,774	\$ 1,011,953
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	28,450,269	-	-	-	12,948
Other receipts	808	990	985	76,109	19,632	83,450	20,831	980,217
Total receipts	808	990	985	28,526,378	19,632	83,450	20,831	993,165
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	3,671	4,200	-	-	-
Utility operating expenses	-	-	-	-	37,668	57,663	-	5,184
Other disbursements	280	352	-	28,555,990	185,990	25,062	45,109	1,047,773
Total disbursements	280	352	-	28,559,661	227,858	82,725	45,109	1,052,957
Excess (deficiency) of receipts over disbursements	528	638	985	(33,283)	(208,226)	725	(24,278)	(59,792)
Cash and investments - ending	\$ 408,321	\$ 515,792	\$ 709,672	\$ 820,062	\$ 614,809	\$ 202,098	\$ 754,496	\$ 952,161

CITY OF FRANKFORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Sewage Depreciation Investment	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve	Wastewater Utility-Customer Deposit	Wastewater Utility-Construction	2010 Sewage Works Bond	Wastewater Utility-Debt Reserve
Cash and investments - beginning	\$ 204,011	\$ 607,709	\$ 149	\$ 450,179	\$ 57,452	\$ 986,412	\$ 2,364,063	\$ 223,085
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	3,823,953	-	-	-	-	-	-
Other receipts	397	419,995	736,088	300,324	28,782	300,710	1,873	149,270
Total receipts	397	4,243,948	736,088	300,324	28,782	300,710	1,873	149,270
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	-	1,035	-	-	-	-	-	-
Utility operating expenses	-	1,655,166	-	-	11,190	-	-	-
Other disbursements	134	3,059,646	736,088	131,510	8,480	1,000	1,511,675	-
Total disbursements	134	4,715,847	736,088	131,510	19,670	1,000	1,511,675	-
Excess (deficiency) of receipts over disbursements	263	(471,899)	-	168,814	9,112	299,710	(1,509,802)	149,270
Cash and investments - ending	\$ 204,274	\$ 135,810	\$ 149	\$ 618,993	\$ 66,564	\$ 1,286,122	\$ 854,261	\$ 372,355

CITY OF FRANKFORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Water Operating Investment	Water Depreciation Investment	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Water Utility-Construction	Water Utility-Debt Reserve
Cash and investments - beginning	\$ 306,032	\$ 101,954	\$ 491,645	\$ 249	\$ 623,049	\$ 28,112	\$ 388,422	\$ 226,330
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	3,554,030	-	-	-	-	-
Other receipts	596	198	128,271	490,635	240,448	12,370	120,279	113,895
Total receipts	596	198	3,682,301	490,635	240,448	12,370	120,279	113,895
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	19,172	-	-	-	-	-
Utility operating expenses	-	-	1,713,690	-	-	-	-	-
Other disbursements	206	72	2,050,949	490,635	23,146	10,148	-	-
Total disbursements	206	72	3,783,811	490,635	23,146	10,148	-	-
Excess (deficiency) of receipts over disbursements	390	126	(101,510)	-	217,302	2,222	120,279	113,895
Cash and investments - ending	\$ 306,422	\$ 102,080	\$ 390,135	\$ 249	\$ 840,351	\$ 30,334	\$ 508,701	\$ 340,225

CITY OF FRANKFORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2012  
 (Continued)

	Waterworks Construction Bonds Proc	Utility Credit Card	Utility Retirement Invest	Billing Office Operating	Utility Auditor Operating	Utility Service Board	Utility Retirement Regular	Totals
Cash and investments - beginning	\$ 616,695	\$ 38,049	\$ 4,196,375	\$ 50,761	\$ 32,052	\$ 339,872	\$ 645,643	\$ 23,908,939
Receipts:								
Taxes	-	-	-	-	-	-	-	5,545,069
Licenses and permits	-	-	-	-	-	-	-	111,119
Intergovernmental	-	-	-	-	-	-	-	3,841,954
Charges for services	-	-	-	-	-	-	-	972,915
Fines and forfeits	-	-	-	-	-	-	-	21,759
Utility fees	-	-	-	-	-	-	-	35,841,200
Other receipts	140	1,236,284	8,145	647,200	125,328	1,756,309	284,806	20,620,469
Total receipts	140	1,236,284	8,145	647,200	125,328	1,756,309	284,806	66,954,485
Disbursements:								
Personal services	-	-	-	529,893	94,535	18,148	192,523	7,322,673
Supplies	-	-	-	25,660	1,135	162	-	426,400
Other services and charges	-	-	-	57,055	2,246	1,062,685	-	4,638,505
Capital outlay	-	-	-	1,381	-	-	-	1,442,092
Utility operating expenses	-	-	-	-	-	-	-	3,480,561
Other disbursements	48,050	1,219,515	-	1,514	149	428,726	6,351	50,376,776
Total disbursements	48,050	1,219,515	-	615,503	98,065	1,509,721	198,874	67,687,007
Excess (deficiency) of receipts over disbursements	(47,910)	16,769	8,145	31,697	27,263	246,588	85,932	(732,522)
Cash and investments - ending	\$ 568,785	\$ 54,818	\$ 4,204,520	\$ 82,458	\$ 59,315	\$ 586,460	\$ 731,575	\$ 23,176,417

CITY OF FRANKFORT  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

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 Improvments	\$ 9,150,000	\$ 737,938
Water: Revenue bonds	Waterworks Improvements	<u>6,050,000</u>	<u>490,690</u>
Totals		<u>\$ 15,200,000</u>	<u>\$ 1,228,628</u>

CITY OF FRANKFORT  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 235,652
Buildings	5,235,995
Improvements other than buildings	301,125
Machinery, equipment, and vehicles	6,443,040
Total governmental activities	12,215,812
Electric:	
Land	154,093
Infrastructure	10,809,835
Buildings	5,784,807
Improvements other than buildings	1,138,545
Machinery, equipment, and vehicles	3,015,189
Total Electric	20,902,469
Storm Water:	
Improvements other than buildings	221,479
Machinery, equipment, and vehicles	151,407
Total Storm Water	372,886
Wastewater:	
Land	214,320
Infrastructure	10,788,702
Buildings	12,559,661
Improvements other than buildings	118,076
Machinery, equipment, and vehicles	4,701,878
Total Wastewater	28,382,637
Water:	
Land	171,810
Infrastructure	9,323,490
Buildings	4,516,380
Improvements other than buildings	1,118,863
Machinery, equipment, and vehicles	501,765
Total Water	15,632,308
All Utilities:	
Improvements other than buildings	33,750
Machinery, equipment, and vehicles	45,098
Total All Utilities	78,848
Total capital assets	\$ 77,584,960

CITY OF FRANKFORT  
EXAMINATION RESULT AND COMMENT

***PENALTIES, INTEREST, AND OTHER CHARGES***

For the quarterly tax period ending December 31, 2012, the City received a refund from the Internal Revenue Service (IRS) in the amount of \$3,123.85; however, a dishonored payment penalty in the amount of \$244.74 was deducted from the refund prior to it being paid to the City. During this quarter, the City discovered an error in one of their payments to the IRS, so the unit requested their bank to stop payment on that withdrawal request. Due to a miscommunication with the bank, a subsequent payment made to the IRS was inadvertently stopped as well leading to the dishonored payment penalty of \$244.74.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF FRANKFORT  
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2013, with Judith Sheets, Clerk-Treasurer; Chris McBarnes, Mayor; and James Moyer, President of the Common Council. The officials concurred with our finding.