

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

EXAMINATION REPORT
OF
CITY OF CANNELTON
PERRY COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
03/28/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary Y. Snyder	01-01-04 to 12-31-07
Mayor	Melvin L. McBrayer	01-01-04 to 12-31-07
President of the Board Public Works and Safety	Melvin L. McBrayer	01-01-06 to 12-31-07
President of the Common Council	Bruce A. Myers	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF CANNELTON, PERRY COUNTY, INDIANA

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

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

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

The 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 a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 26, 2006

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

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 215,740	\$ 624,598	\$ 584,455	\$ 255,883
Motor Vehicle Highway	9,362	55,645	51,867	13,140
Local Road and Street	34,339	6,668	6,116	34,891
Law Enforcement Continuing Education	634	717	926	425
Riverboat	8,132	7,706	3,807	12,031
Economic Development Commission				
Revolving Loan	31,730	28,570	16,430	43,870
Donations	3,632	45,667	48,183	1,116
8th Street Project	4,061	-	4,061	-
Hafele Riverside Park	1,415	-	-	1,415
Gym Donation	12,957	200	-	13,157
Fire Truck	-	147,500	145,000	2,500
Economic Development Income Tax	123,546	90,810	63,418	150,938
Cumulative Capital Improvement	6,648	4,319	2,791	8,176
Police Pension	44,470	18,553	14,021	49,002
Cemetery Perpetuity Trust	11,832	223	400	11,655
Proprietary Funds:				
Water Utility	107,825	292,246	279,164	120,907
Wastewater Utility	93,420	246,117	217,305	122,232
Electric Utility	587,635	1,312,642	1,276,324	623,953
Trash Utility	40,306	125,691	122,032	43,965
Fiduciary Funds:				
Payroll	(528)	352,256	349,533	2,195
Levy Excess	-	4,879	-	4,879
Totals	<u>\$ 1,337,156</u>	<u>\$ 3,365,007</u>	<u>\$ 3,185,833</u>	<u>\$ 1,516,330</u>

The accompanying notes are an integral part of the schedules.

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, culture and recreation, and general administrative services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

1. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of the plan members for 1925 Police Officer's Pension Plan are established by state statute. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

2. Electric and Water Utilities Union Employees Pension Plan

Plan Description

The Electric and Water Utilities have a defined benefit pension plan covering eligible employees. An employee becomes a participant upon employment. Benefits are based upon continuous credited service and the monthly benefit rate in effect on the date actual employment is terminated. Contributions are intended to provide not only for benefits attributed to service date but also of those expected to be earned in the future.

The IUE-CWA Pension Fund does not issue a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and its participants. Additional information may be obtained by contacting:

IUE-CWA Pension Fund
1460 Broad Street
Bloomfield, New Jersey 07003-3073
Ph. (973) 893-0333

Funding Policy and Annual Pension Cost

Plan members contributions are required by written plan agreement. Employer's contributions are \$1.71 per hour of annual covered payroll.

No actuarial information was available for the Electric and Water Utilities' Employees Union Pension Plan.

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officer's and Firefighters' Pension and Disability Fund, 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. 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 and Annual Pension Cost

Plan members are required to contribute 6% of the first-class police officer's and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustee of PERF. The City contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$8,504, \$13,683, and \$5,449, respectively, equal to the required contributions for each year.

2. Other City Employees and Wastewater and Trash Utilities Employees Pension

Plan Description

Other City employees and Wastewater and Trash Utilities employees have a defined contribution pension plan administered by Capital Select Investments Corporation as authorized by Indiana Code 8-1.5-3-7. This SIMPLE IRA plan provides retirement benefits to plan members and beneficiaries. The plan was established by written agreement between the City and Wastewater and Trash Utilities and the Plan Administrator in July 1997. All assets of the plan are held by and invested by Oppenheimer Pension Fund. The assets of the plan consist of individual mutual fund investments as reported by the trustee. All full-time employees are eligible to participate after one year of continuous employment. Benefits are based solely upon contributions plus net earnings. Additional information may be obtained by contacting:

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Oppenheimer Funds ATTN Retirement Plan
P. O. Box 5390
Denver, CO 80217-5390
Ph. (800) 83507305

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the City and the Plan Administrator. Each individual employee is given the choice of a salary deduction to be withheld each pay period and contributed to the plan. The employer has elected to contribute up to 3% of each employee's compensation for each year. Each employee may choose the Oppenheimer Funds in which they want their contributions to be invested. Employer and employee contributions to the plan were \$1,000 and \$705, respectively.

An actuarial valuation was not available.

Information to segregate the assets between the City, Wastewater and Trash Utilities is not available.

3. Electric and Water Utilities Nonunion Employees Pension Plan

Plan Description

The Electric and Water Utilities nonunion employees have a defined contribution pension plan administered by Capital Bank and Trust as authorized by Indiana Code 8-1.5-3-7. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Utilities and the Plan Administrator. The assets of the plan consist of individual mutual fund investments as reported by the trustee and are valued at market. Contributions were made in accordance with defined contribution requirements. Employees are entitled to receive benefits after 10 years of service and the first anniversary date on or after each participant's 65th birthday. Benefits are based solely upon contributions plus net earnings; therefore, there is no unfunded past service cost. Employees who leave employment before qualifying for benefits receive the accumulated contributions plus the invested earnings for each contract. Additional information may be obtained by contacting:

Capital Bank and Trust
P. O. Box 6164
Indianapolis, IN 46206
Ph. (800) 421-0180

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Utilities and the plan administrator. Plan members are required to contribute 3% of the annual covered salary. The Utilities are required to contribute at an actuarially determined rate. The current rate is 7% of annual covered payroll. Employer and employee contributions to the plan were \$5,844 and \$2,512, respectively.

CITY OF CANNELTON
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2006

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.

General infrastructure assets completed in the current year have been reported.

	<u>Ending Balance</u>
Governmental funds:	
Capital assets, not being depreciated:	
Land	\$ 48,986
Infrastructure	428,413
Buildings	2,417,750
Improvements other than buildings	2,268,055
Machinery and equipment	254,771
Transportation Equipment	<u>521,060</u>
Total governmental fund capital assets	<u><u>\$ 5,939,035</u></u>
	<u>Ending Balance</u>
Proprietary funds:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 6,901
Capital assets, being depreciated:	-
Buildings	40,204
Improvements other than buildings	2,359,530
Machinery and equipment	<u>107,700</u>
Total Water Utility capital assets	<u><u>2,514,335</u></u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	3,050
Capital assets, being depreciated:	
Buildings	595,675
Improvements other than buildings	956,871
Machinery and equipment	<u>132,339</u>
Total Wastewater Utility capital assets	<u><u>1,687,935</u></u>
Trash Utility:	
Capital assets, being depreciated:	
Machinery and equipment	<u>91,896</u>
Total Gas Utility capital assets	<u><u>91,896</u></u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	10,500
Capital assets, being depreciated:	-
Buildings	195,995
Improvements other than buildings	1,956,253
Machinery and equipment	<u>314,437</u>
Total Electric Utility capital assets	<u><u>2,477,185</u></u>
 Total proprietary fund capital assets	 <u><u><u>\$ 6,771,351</u></u></u>

CITY OF CANNELTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

The City of Cannelton has entered into the following capital leases, loans and bond issues:

Description of Asset	Ending Balance	Due Within One Year
Governmental fund:		
Capital leases:		
Community Center	\$ 405,000	\$ 30,000
Loans payable:		
Flood Control Loan	45,000	15,000
Fire Construction Loan - Electric Utility	36,000	36,000
Police Car Loan - Wastewater Utility	<u>11,000</u>	<u>11,000</u>
Total governmental fund long-term debt	<u>\$ 497,000</u>	<u>\$ 92,000</u>
Proprietary funds:		
Water Utility		
Loans Payable:		
State Revolving Loan	\$ 349,315	\$ -
Booster Pump Loan - Electric Utility	2,009	2,009
Revenue bonds:		
1996 Revenue Bonds	<u>150,000</u>	<u>-</u>
Total Water Utility	<u>501,324</u>	<u>2,009</u>
Wastewater Utility		
Revenue bonds:		
2002 Refunding Bonds	<u>199,000</u>	<u>14,000</u>
Total Wastewater Utility	<u>199,000</u>	<u>14,000</u>
Trash Utility:		
Capital leases:		
Trash Compactor Truck	<u>10,015</u>	<u>10,015</u>
Total Other Utility	<u>10,015</u>	<u>10,015</u>
Total proprietary fund long-term debt:	<u>\$ 710,339</u>	<u>\$ 26,024</u>

CITY OF CANNELTON
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2007, with Melvin L. Brayer, Mayor; and Mary Y. Snyder, Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.