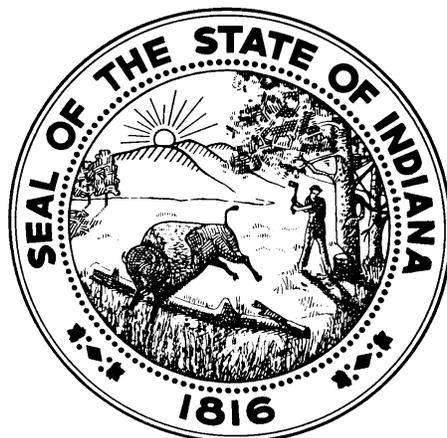


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
CITY OF CHARLESTOWN  
CLARK COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
12/28/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Coomer	01-01-04 to 12-31-07
Mayor	Michael D. Hall	01-01-04 to 12-31-07
President of the Board of Public Works	Michael D. Hall	01-01-06 to 12-31-07
President of the Common Council	Jeff Aaron Brian D. Walker	01-01-06 to 12-31-06 01-01-07 to 12-31-07
City Court Judge	George Waters	01-01-04 to 12-31-07
Superintendent of Water Utility	Allan Lesnet	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Mike Perry	01-01-06 to 12-31-07



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Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF CHARLESTOWN, CLARK COUNTY, INDIANA

We have examined the financial information presented herein of the City of Charlestown (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

November 7, 2007

CITY OF CHARLESTOWN  
SCHEDULE 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	\$ 121,224	\$ 3,551,894	\$ 3,084,658	\$ 588,460
Riverboat Wagering Revenue	2,918	-	1,161	1,757
Shop With A Cop	9,991	6,685	9,700	6,976
Local Roads and Streets	574	73,983	48,840	25,717
Motor Vehicle Highway	12	554,003	366,940	187,075
Police Firearms Training	15	-	15	-
Police Grant DUI	590	12,722	13,108	204
Police Miscellaneous Revenue	8,145	22,358	28,144	2,359
Nonreverting Planning and Zoning Review and Development Fees Fund	38,015	32,962	70,669	308
Local Law Enforcement Continuing Education	126	6,124	5,329	921
Clerk's Record Perpetuation Fund	3,395	712	-	4,107
City Parks Capital Fund	702	40,552	20,114	21,140
City Parks Improvement Fund	-	7,557	2,275	5,282
Park Grant Fund	-	37,541	-	37,541
Youth Coalition	336	2,619	2,955	-
Police K-9 Division	3,050	247	1,261	2,036
Police Special Response Training Non-Reverting Fund	-	5,991	5,119	872
Police Grant Nonreverting	-	1,635	1,635	-
Nonreverting Capital Trust Fund	1,880,275	851,852	1,609,169	1,122,958
Vehicle Tow-In Fees	70	1,600	1,670	-
Cumulative Capital Improvement	28,102	21,410	3,844	45,668
Charlestown City Court Nonreverting Fund	4,870	3,180	975	7,075
EDIT Fund	149,248	231,919	38,738	342,429
Economic Development Reuse Authority	189	50,000	50,000	189
Police Bicycle Fund	185	-	185	-
Beautification Fund	3,833	40,352	33,478	10,707
Mayor's Christmas Awards Dinner	917	-	10	907
Sanitation	(66,248)	-	-	(66,248)
Pleasant Ridge Revitalization	3,095	-	-	3,095
Proprietary Funds:				
Water Utility - Operating	7,962	2,466,672	848,621	1,626,013
Water Utility - Customer Deposit	56,120	11,167	14,031	53,256
Wastewater Utility - Operating	951,243	1,637,504	1,434,111	1,154,636
Wastewater Utility - Bond and Interest	92,788	380,915	348,109	125,594
Wastewater Utility - Debt Service Reserve	127,000	60,720	-	187,720
Fiduciary Funds:				
Police Officers' Pension	110,811	38,656	61,521	87,946
Payroll	23,779	1,868,559	1,867,600	24,738
User Fee Fund	2,600	9,604	8,408	3,796
City Court	23,370	54,961	59,875	18,456
Totals	<u>\$ 3,589,302</u>	<u>\$ 12,086,656</u>	<u>\$ 10,042,268</u>	<u>\$ 5,633,690</u>

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

CITY OF CHARLESTOWN  
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, highway and streets, sanitation, culture and recreation, economic development, public improvements, planning and zoning, general administrative services, water and wastewater 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 CHARLESTOWN  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plans

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

1. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

2. 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 plan members for the 1925 Police Officers' Pension Plan are established by state statute.

CITY OF CHARLESTOWN  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' 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 Costs

Plan members are required to contribute 6% of the first-class police officers' 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 Trustees of PERF.

CITY OF CHARLESTOWN  
 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 (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 164,870
Infrastructure	7,764,020
Buildings	564,183
Improvements other than buildings	62,624
Machinery and equipment	<u>1,896,507</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 10,452,204</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets	
Land	\$ 2,725
Buildings	8,995
Improvements other than buildings	5,757,827
Machinery and equipment	<u>398,784</u>
 Total Water Utility capital assets	 <u>6,168,331</u>
Wastewater Utility:	
Capital assets	
Land	19,500
Buildings	2,928,683
Improvements other than buildings	4,650,115
Machinery and equipment	<u>2,177,575</u>
 Total Wastewater Utility capital assets	 <u>9,775,873</u>
 Total business-type activities capital assets	 <u>\$ 15,944,204</u>

CITY OF CHARLESTOWN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2006

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Street sweeper	\$ 25,670	\$ 27,552
Lighting loader	43,176	-
Side loader	121,836	33,351
Notes and loans payable:		
Trash containers	72,537	38,222
Bonds payable:		
Revenue bonds:		
2006 TIF bonds industrial park waterworks improvements	<u>590,000</u>	<u>37,848</u>
Total governmental activities debt	<u>\$ 853,219</u>	<u>\$ 136,973</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2006 Water construction	<u>\$ 1,860,000</u>	<u>\$ 140,203</u>
Wastewater Utility		
Revenue bonds:		
1993 Wastewater refunding	815,000	122,920
2005 Wastewater construction	<u>4,000,000</u>	<u>299,289</u>
Total Wastewater Utility	<u>4,815,000</u>	<u>422,209</u>
Total business-type activities debt	<u>\$ 6,675,000</u>	<u>\$ 562,412</u>

CITY OF CHARLESTOWN  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE (Applies to Clerk-Treasurer)

The cash balance of the Sanitation Fund was overdrawn by \$66,248 at December 31, 2006. On January 31, 2007, the City transferred \$66,248 from the General Fund to the Sanitation Fund in order to eliminate the deficit cash balance and to close the fund.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to the Clerk-Treasurer)

Penalties and interest totaling \$254.26 were paid to the Internal Revenue Service for failure to timely remit federal payroll tax withholdings for the quarter ending June 30, 2006.

Penalties and interest totaling \$714.26 were paid to the Indiana Department of Revenue for failure to timely remit state and local payroll tax withholdings for the month of August 2006.

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)

PURCHASE OF BUILDING (Applies to the Common Council)

During 2006, the City purchased a church building for \$101,000 for use as an Arts and Enrichment Center. The purchase was made without the Common Council passing a resolution outlining its intent to purchase the building and without obtaining two appraisals to determine the allowable amount that the City could offer for the building.

Indiana Code 36-1-10.5-5 outlines the procedures for the purchase of land or structures costing more than \$25,000 and states in part:

"A purchasing agent shall purchase land or a structure only after compliance with the following procedures:

- (1) The fiscal body of the political subdivision shall pass a resolution to the effect that it is interested in making a purchase of specified land or a structure.

CITY OF CHARLESTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (2) The purchasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure. . .
- (3) The appraisers shall return their separate appraisals to the purchasing agent . . .
- (4) The purchasing agent shall give a copy of both appraisals to the fiscal body."

Indiana Code 36-1-10.5-6 sets the limitation on the purchase price and states in part:

"A purchasing agent may not purchase any land or structure for a price greater than the average of the two (2) appraisals received. . ."

BOND ORDINANCE (Applies to Water Utility)

During 2006, the Water Utility issued \$1,860,000 in Water Works Revenue Bonds. Revenue Bond Ordinance 2006-OR-11 required that the bond proceeds be deposited into a Water Works Construction Fund. Bond proceeds in the amount of \$1,813,500 were received by the Water Utility on December 27, 2006; however, these proceeds were deposited into the Water Operating Fund. As a result, the balance of the Water Operating Fund at December 31, 2006, after payment of bond issue costs and construction costs, included \$1,401,705.57 of the bond proceeds. On July 31, 2007, the balance of the bond proceeds on hand were transferred to a newly created Water Works Construction Fund.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE (Applies to Police Department)

The Police Department receives collections from towing companies. Receipts are not being issued for these collections.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY DEPOSITS (Applies to City Court)

Instances were noted in which receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CITY OF CHARLESTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DISTRIBUTION OF COURT FEES (Applies to City Court)

Court fees received were not being distributed to the city fiscal officer and county auditor every 30 days (or monthly) as required. Fees were being distributed one to two months late.

Indiana Code 33-37-7-12 states in part: ". . . not later than thirty (30) days after the clerk collects a fee, the clerk shall forward the fee . . . to the city or town fiscal officer if the clerk is the clerk of a city or town court."

Indiana Code 33-37-7-8 states in part: "The clerk of a city or town court shall distribute monthly to the county auditor . . ."

CITY OF CHARLESTOWN  
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2007, with Michael D. Hall, Mayor; Brian D. Walker, President of the Common Council; and Donna Coomer, Clerk-Treasurer.

The contents of this report concerning the City Court were separately discussed on November 7, 2007, with George Waters, City Court Judge. He concurred with our findings concerning the City Court.