

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, 2008 to December 31, 2008



FILED
12/30/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Arvina Bozarth	01-01-08 to 12-31-11
Mayor	Morris "Smokey" Graves	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Morris "Smokey" Graves	01-01-08 to 12-31-09
President of the Common Council	Adam Goffinet	01-01-08 to 12-31-09



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Cannelton (City), for the period of January 1, 2008 to December 31, 2008. 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, 2008, 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 required parts 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 5, 2009

CITY OF CANNELTON
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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 178,698	\$ 603,287	\$ 599,594	\$ 182,391
Motor Vehicle Highway	13,240	67,381	72,008	8,613
Local Road and Street	31,709	8,462	26,907	13,264
Law Enforcement Continuing Education	1,229	4,836	5,567	498
Riverboat	13,482	7,584	5,796	15,270
Economic Development Commission				
Revolving Loan	80,313	24,038	30,398	73,953
Donations	3,647	7,099	7,961	2,785
Hafele Riverside Park	1,415	-	-	1,415
Gym Donation	9,937	100	1,100	8,937
Rainy Day	-	7,296	-	7,296
Grant Fund	680	12,448	11,475	1,653
Economic Development Income Tax	161,698	101,006	81,861	180,843
Cumulative Capital Improvement	12,422	3,932	-	16,354
Police Pension	54,874	15,456	14,446	55,884
Cemetery Perpetuity Trust	11,660	243	-	11,903
Proprietary Funds:				
Water Utility - Operating	60,738	294,091	277,316	77,513
Water Utility - Bond and Interest	5,574	66,699	66,894	5,379
Water Utility - Debt Service Reserve	70,254	-	-	70,254
Water Utility - Customer Deposit	8,082	2,895	3,490	7,487
Wastewater Utility - Operating	63,914	242,302	189,484	116,732
Wastewater Utility - Depreciation	33,442	471	2,413	31,500
Wastewater Utility - Bond and Interest	18,208	25,109	25,377	17,940
Wastewater Utility - Debt Service Reserve	25,000	-	-	25,000
Electric Utility - Operating	531,142	1,403,967	1,592,259	342,850
Electric Utility - Depreciation	82,057	-	-	82,057
Electric Utility - Customer Deposit	39,070	16,719	21,332	34,457
Trash Utility - Operating	52,240	133,831	81,904	104,167
Fiduciary Funds:				
Payroll	2,096	346,672	337,576	11,192
Levy Excess	51,234	-	51,234	-
Totals	<u>\$ 1,618,055</u>	<u>\$ 3,395,924</u>	<u>\$ 3,506,392</u>	<u>\$ 1,507,587</u>

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

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, general administrative services, electric, water, wastewater, and trash.

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.

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. Compensated Absences

A. Sick Leave

City, Wastewater Utility, and Trash Utility

City, Wastewater Utility, and Trash Utility employees earn sick leave at rates from 1 day to 5 days per year based upon the number of years of service. Unused sick leave may be accumulated to a maximum of 45 days. Accumulated sick leave is not paid to employees upon termination or retirement.

Water and Electric Utilities

Union employees of the Water Utility and the Electric Utility earn sick leave at the rate of ½ day per month. Union employees may accumulate sick leave to a maximum of 36 days. Nonunion employees of the Water Utility and the Electric Utility earn sick leave at the rate of 1 day per month. Nonunion employees may accumulate sick leave to a maximum of 60 days. Union employees may be reimbursed yearly at their normal rate of pay for all unused days in excess of 30 days. Nonunion employees may be reimbursed yearly at their normal rate of pay for 50% of all unused days in excess of 60 days. Accumulated sick leave is not paid to union or nonunion employees upon termination or retirement.

B. Vacation Leave

City, Wastewater Utility, and Trash Utility Employees

City, Wastewater Utility, and Trash Utility employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

Water and Electric Utilities

All Water Utility and the Electric Utility employees, union and nonunion, earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year. Union employees of the Electric Utility and Water Utility are paid for any year end unused vacation leave up to 10 days. This payment is included in the first pay period of the subsequent year.

Note 7. Pension Plans

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

1. 1925 Police 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

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

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 the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. 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 to 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 \$1.83 per hour of annual covered payroll. Employer and employee contributions to the plan for the year ended December 31, 2008, were \$10,770 and \$4,655, respectively.

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

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Actuarial Information for the Above 1925 Police Pension Plan

	1925 Police Officers' Pension
Annual required contribution	\$ 20,000
Interest on net pension obligation	1,200
Adjustment to annual required contribution	(1,600)
Annual pension cost	19,600
Contributions made	15,456
Increase in net pension obligation	4,144
Net pension obligation, beginning of year	20,531
Net pension obligation, end of year	\$ 24,675
Contribution rates:	
City	N/A
Plan members	N/A
Actuarial valuation date	01-01-08
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	01-01-05
Asset valuation method	4 year phase in of unrealized and realized capital

N/A=Not applicable - no active members

Actuarial Assumptions

Investment rate of return	6%
Projected future salary increases:	
Total	4%
Attributed to inflation	4%
Attributed to merit/seniority	0%
Cost-of-living adjustments	2.75/4%*

*2.75% converted members; 4% nonconverted members

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
1925 Police Officers' Pension Plan	12-31-06	\$ 19,500	95%	\$ 22,299
	12-31-07	19,500	109%	20,531
	12-31-08	19,600	79%	24,675

Membership in the 1925 Police Officers' Pension Plan at January 1, 2008, was comprised of the following:

	<u>1925 Police Officers' Pension</u>
Retirees and beneficiaries currently receiving benefits	1

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
Indianapolis, IN 46204
PH. (317) 233-4162

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

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. The City's contributions to the plan for the years ending December 31, 2008, 2007, and 2006, were \$11,175, \$11,896, and \$8,504, respectively.

C. Defined Contribution Pension Plans

1. Electric and Water Utilities Nonunion Employees Pension

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 65 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 \$5,035, and \$2,145, respectively.

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

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

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:

Oppenheimer Funds ATTN Retirement Plan
P.O. Box 5390
Denver, CO 80217-5390
Ph. (800) 835-7305

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by 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 Oppenheimer Funds in which they want their contributions to be invested. Employer and employee contributions to the plan were \$1,742, and \$1,730, respectively.

Note 8. Holding Corporation

The City has entered into a capital lease with Cannelton Municipal Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing a community center for lease to the government. Lease payments during the year totaled \$50,000.

Note 9. Loans Payable

The City has entered into a flood control loan and a state revolving loan. Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of waterworks improvements and extensions. Funds were loaned to the City as construction costs accrued to the maximum allowed. The 2001 loan established a maximum draw of \$455,000. At the completion of construction, the outstanding principal balance of \$449,315 was amortized over a period of 18 years. Annual debt service requirements to maturity for these loans, including interest of \$450, and \$60,836, respectively, as of December 31, 2007, for the years ended December 31, are as follows:

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

	City EDIT Fund Flood Control Loan	Water Utility State Revolving Loan
2009	\$ 15,450	\$ 4,485
2010	-	28,680
2011	-	33,028
2012	-	32,303
2013	-	31,577
2014-2018	-	149,970
2019-2023	-	90,108
	\$ 15,450	\$ 370,151
Totals		

Note 10. Capital Lease

The City has entered into a capital lease for a community center. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of December 31, 2008, are as follows:

Community Center Capital Lease	City
2009	\$ 48,000
2010	52,000
2011	50,000
2012	48,000
2013	51,000
2014-2018	191,000
Total minimum lease payments	440,000
Less amount representing interest	95,000
Present value of net minimum lease payments	\$ 345,000

Assets acquired through capital leases still in effect are as follows:

Assets Under Capital Lease	City Community Center
Buildings	\$ 600,000

CITY OF CANNELTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 11. Loans Receivable – Indiana Department of Commerce

The City of Cannelton makes low interest loans to local businesses for economic development from an economic development revolving loan fund. The balances of the remaining outstanding loans as of December 31, 2008, are as follows:

Borrower	Date of Loan	Amount	Rate	Required Annual Payment	Balance December 31, 2008
County-Wide Animal Clinic	08-01-93	\$ 30,000	5.00%	\$ 2,783	\$ 9,845
C & J Trucking (Swiss Valley)	08-21-03	15,000	5.00%	1,909	7,926
James and Renae Lawson	01-11-08	30,000	8.50%	3,545	29,166
Young's Used Cars	11-23-98	16,000	6.00%	1,622	7,473
T's Car Care (D-Anna, Inc.)	09-11-00	15,000	6.00%	1,519	2,819
Fitness Factor	02-08-00	14,000	6.00%	1,468	689
Fitness Factor	04-18-05	9,000	6.75%	1,459	5,471
Basket, Bears, Bunnies and More	02-08-00	5,000	6.00%	667	814
Susann's Gallery and Studio	07-15-02	5,000	6.00%	56	56
Flowers and More	11-05-03	5,000	5.00%	-	(144)
Walker Dentist Building	06-30-06	3,500	9.00%	872	2,631
Matt Anderson	03-14-07	10,000	9.25%	1,946	8,335

Note 12. Subsequent Event – New Flood Control Loan

The City of Cannelton entered into a new flood control loan on July 10, 2009. The City borrowed \$20,000 at 3% interest in order to make repairs to the floodwall.

Note 13. Subsequent Event – State Pension Relief Fund

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

CITY OF CANNELTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2008

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 are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. 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>City of Cannelton</u>	<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	2,271,893
Machinery and equipment	254,771
Transportation equipment	<u>535,378</u>
Total governmental fund capital assets	<u>\$ 5,957,191</u>
<u>Cannelton Water, Wastewater, Electric, and Trash Utilities</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>2,514,335</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	126,881
Transportation equipment	<u>24,352</u>
Total Wastewater Utility capital assets	<u>1,706,829</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	10,500
Capital assets, being depreciated:	
Buildings	198,668
Improvements other than buildings	1,990,836
Machinery and equipment	104,010
Transportation equipment	<u>210,427</u>
Total Electric Utility capital assets	<u>2,514,441</u>
Trash Utility:	
Capital assets, being depreciated:	
Machinery and equipment	<u>83,896</u>
Total proprietary funds capital assets	<u>\$ 6,819,501</u>

CITY OF CANNELTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Funds:		
Capital leases:		
Community center building	\$ 345,000	\$ 48,000
Loans payable:		
Flood control loan	15,000	15,450
Interfund loan - due to Electric Utility	<u>15,000</u>	<u>15,000</u>
Total governmental funds long-term debt	<u>\$ 375,000</u>	<u>\$ 78,450</u>
Proprietary Funds:		
Water Utility:		
State revolving loans:		
2000 SRF loan	\$ 309,315	\$ 4,485
Revenue bonds:		
1996 revenue bonds	<u>95,000</u>	<u>2,791</u>
Total Water Utility	<u>404,315</u>	<u>7,276</u>
Wastewater Utility:		
Revenue bonds:		
2002 refunding revenue bonds	<u>170,000</u>	<u>24,710</u>
Total Wastewater Utility	<u>170,000</u>	<u>24,710</u>
Total proprietary funds debt	<u>\$ 574,315</u>	<u>\$ 31,986</u>

CITY OF CANNELTON
OTHER REPORT

The examination report presented herein was prepared in addition to another official report prepared for the individual City offices listed below:

Cannelton Water, Wastewater, Electric, and Trash Utilities

CITY OF CANNELTON
EXAMINATION RESULTS AND COMMENTS

LOAN FROM ELECTRIC UTILITY IN ANTICIPATION OF TAXES TO BE COLLECTED

A loan of \$30,000 was made in 2005 from the Electric Utility to the City in anticipation of taxes to be levied and collected and was not repaid on or before 30 days after the last day for the payment of the anticipated taxes.

IC 8-1.5-3-12 states:

"(a) A municipality may, by ordinance of its legislative body, borrow money from a utility owned by the municipality for current purposes in anticipation of taxes levied and to be collected during the current or following year.

(b) The board may by resolution lend money to the municipality if the utility has on hand:

- (1) A surplus of cash exceeding by at least the amount loaned the sum of all amounts required to pay the indebtedness of the utility falling due during the current calendar year and the following year;
- (2) The amount necessary to meet current expenses during the year; and
- (3) The amount necessary to pay for improvements contemplated to be made during the current calendar year minus the estimated receipts during the calendar year.

(c) A loan may not be made for a sum in excess of fifty percent (50%) of the amount estimated to be collected from anticipated taxes. The loan:

- (1) Must be evidenced by an obligation of the municipality;
- (2) Must be signed by the executive;
- (3) Is due on or before thirty (30) days after the last day for the payment of anticipated taxes; and
- (4) May bear interest at any rate as determined by the board, payable at maturity."

CAPITAL ASSET RECORDS

The City records do not reflect capital asset additions or disposals. When the City acquires a capital asset, the cost of the asset should also be recorded in the capital asset records as an addition. When the City disposes of a capital asset, the cost of the asset should also be recorded in the records as a deletion.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF CANNELTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer.

IC 6-1.1-22-14(a) states in part:

"on or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Local Roads and Streets	2008	<u>\$ 15,907</u>

IC 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Grants Fund and the Donations Fund. The records presented did not provide sufficient information to audit or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

Postings to the appropriations ledger were incomplete. In many cases, disbursements in the funds ledger were not posted to the appropriations ledger. In some instances, the amounts posted to the appropriations ledger did not equal the amounts disbursed per the funds ledger.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF CANNELTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

ORDINANCES AND RESOLUTIONS

Two City employees terminated service in 2008. The City has an ordinance covering paid leave upon termination. The ordinance states in part: "The employee will be kept in pay status until such time as all accrued and unforfeited vacation has been exhausted. No vacation pay will be paid in cash, as a lump sum, or otherwise." However, both employees received a lump sum payment, which included vacation pay.

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)

CREDIT CARDS

The City is using a VISA credit card to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF CANNELTON
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2009, with Morris "Smokey" Graves, Mayor; and Arvina Bozarth, Clerk-Treasurer. The officials concurred with our findings.