

**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, 2009 to December 31, 2009



**FILED**  
01/04/2011



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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	01-01-09 to 12-31-10
President of the Common Council	Adam Goffinet	01-01-09 to 12-31-10
General Manager of the Electric and Water Utilities	Phillip A. Ball	01-01-09 to 12-31-10
Superintendent of the Wastewater Utility	Jerry A. Ball	01-01-09 to 12-31-10
President of the Utility Service Board	James Peters	01-01-09 to 12-31-10



**STATE OF INDIANA**  
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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, 2009 to December 31, 2009. 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, 2009, 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 17, 2010

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, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 182,391	\$ 693,256	\$ 713,890	\$ 161,757
Motor Vehicle Highway	8,613	52,575	30,206	30,982
Local Road and Street	13,264	6,167	11,996	7,435
Economic Development Income Tax	180,843	93,285	90,696	183,432
Law Enforcement Continuing Education	498	1,569	1,723	344
Riverboat	15,270	7,566	-	22,836
Rainy Day	7,296	21,076	-	28,372
Economic Development Commission - Revolving Loan	73,953	23,268	30,383	66,838
Donations	2,785	13,511	8,424	7,872
Hafele Riverside Park	1,415	-	-	1,415
Gym Donations	8,937	50	50	8,937
Grant Fund	1,653	2,888	2,208	2,333
Cumulative Capital Improvement	16,354	3,707	3,900	16,161
Police Pension	55,884	14,047	14,724	55,207
Cemetery Perpetuity Trust	11,903	-	-	11,903
Proprietary Funds:				
Water Utility - Operating	77,523	290,014	285,413	82,124
Water Utility - Bond and Interest	5,379	64,773	64,551	5,601
Water Utility - Customer Deposit	7,477	3,380	3,550	7,307
Water Utility - Debt Service Reserve	70,254	-	-	70,254
Wastewater Utility - Operating	116,732	220,818	199,142	138,408
Wastewater Utility - Bond and Interest	17,940	25,339	24,710	18,569
Wastewater Utility - Depreciation	31,500	67	15,511	16,056
Wastewater Utility - Debt Service Reserve	25,000	-	-	25,000
Electric Utility - Operating	342,300	1,561,024	1,534,571	368,753
Electric Utility - Depreciation	82,057	-	-	82,057
Electric Utility - Customer Deposit	34,457	24,183	18,059	40,581
Trash Utility - Operating	104,167	130,827	83,606	151,388
Fiduciary Fund:				
Payroll	11,192	339,360	342,115	8,437
Totals	<u>\$ 1,507,037</u>	<u>\$ 3,592,750</u>	<u>\$ 3,479,428</u>	<u>\$ 1,620,359</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. 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 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 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. The City has one retiree currently receiving benefits.

Funding Policy

The contribution requirements of the 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 Public Employees' Retirement Fund as provided under IC 5-10.3-11. The State of Indiana has contributed \$905 on behalf of the City. On-behalf contributions from the State of Indiana approximates the amount paid out for benefits.

Membership in the 1925 Police Officers' Pension Plan at January 1, 2009, was comprised of the following:

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	1

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.

CITY OF CANNELTON  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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 \$1.28 per hour of annual covered payroll. Employer and employee contributions to the plan for the year ended December 31, 2009, were \$11,187 and \$4,544, respectively

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

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 was changed in 2009, is 19.5% 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, 2009, 2008, and 2007, were \$12,147, \$11,175, and \$11,896, respectively, equal to the required contributions for each year.

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 IC 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<sup>th</sup> 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 \$2,157, 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 IC 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

CITY OF CANNELTON  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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 \$245, and \$1,045, respectively.

Note 7. 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 8. Loans Payable

The City has entered into a flood control loan, dump truck loan, and a state revolving loan. The 2009 flood control loan of \$20,000 from the Indiana Department of Natural Resources, was used to make repairs to the floodwall. The 2009 Dump Truck Loan was used to purchase a dump truck for the City. 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 state revolving 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 eighteen years. Annual debt service requirements to maturity for these loans, including interest of \$3,300, and \$51,866, respectively, as of December 31, 2009, for the years ended December 31, are as follows:

CITY OF CANNELTON  
NOTES TO FINANCIAL INFORMATION  
(Continued)

	City 2009 Flood Control Loan	City 2009 Dump Truck Loan	Water Utility State Revolving Loan
	<u>          </u>	<u>          </u>	<u>          </u>
2010	\$ 2,600	\$ 4,374	\$ 4,195
2011	2,540	4,374	33,028
2012	2,480	4,374	32,303
2013	2,420	4,374	31,577
2014	2,360	4,374	30,853
2015-2019	10,900	-	149,214
2020-2021	<u>-</u>	<u>-</u>	<u>60,011</u>
Totals	<u>\$ 23,300</u>	<u>\$ 21,870</u>	<u>\$ 341,181</u>

Note 9. 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, 2009, are as follows:

<u>Community Center Capital Lease</u>	<u>City</u>
2010	\$ 52,000
2011	50,000
2012	48,000
2013	51,000
2014	49,000
2015-2017	<u>142,000</u>
Total minimum lease payments	392,000
Less amount representing interest	<u>77,000</u>
Present value of net minimum lease payments	<u>\$ 315,000</u>

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

<u>Assets Under Capital Lease</u>	<u>City Community Center</u>
Buildings	<u>\$ 600,000</u>

CITY OF CANNELTON  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 10. 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, 2009, are as follows:

Borrower	Date of Loan	Amount	Rate	Required Annual Payment	Balance December 31, 2009
County-Wide Animal Clinic	08-01-93	\$ 30,000	5.00%	\$ 3,818	\$ 6,690
Canary Outdoor Power	04-22-09	30,000	4.25%	2,708	29,145
James and Renae Lawson	01-11-08	30,000	8.50%	3,545	28,880
Young's Used Cars	11-23-98	16,000	6.00%	1,622	6,270
T's Car Care (D-Anna, Inc.)	09-11-00	15,000	6.00%	-	(198)
Fitness Factor	02-08-00	14,000	6.00%	-	(174)
Fitness Factor	04-18-05	9,000	6.75%	1,459	4,353
Basket, Bears, Bunnies and More	02-08-00	5,000	6.00%	236	234
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

CITY OF CANNELTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For the Year Ended December 31, 2009

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>
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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	142,392
Transportation equipment	<u>24,352</u>
Total Wastewater Utility capital assets	<u>1,722,340</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>230,584</u>
Total Electric Utility capital assets	<u>2,534,598</u>

Trash Utility:	
Capital assets, being depreciated:	
Machinery and equipment	<u>100,654</u>

Total proprietary funds capital assets	<u>\$ 6,871,927</u>
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CITY OF CANNELTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

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:		
Community Center Building	\$ 285,000	\$ 52,000
Loans payable:		
Dump Truck loan	19,137	4,374
Flood Control loan	<u>10,000</u>	<u>2,600</u>
Total governmental activities long-term debt	<u>\$ 314,137</u>	<u>\$ 58,974</u>
Business-type activities:		
Water Utility:		
State revolving loans:		
2002 SRF loan	\$ 289,315	\$ 4,195
Revenue bonds:		
1996 revenue bonds	<u>65,000</u>	<u>1,909</u>
Total Water Utility	<u>354,315</u>	<u>6,104</u>
Wastewater Utility:		
Revenue bonds:		
2002 refunding revenue bonds	<u>155,000</u>	<u>24,973</u>
Total Wastewater Utility	<u>155,000</u>	<u>24,973</u>
Total business-type activities debt	<u>\$ 509,315</u>	<u>\$ 31,077</u>

CITY OF CANNELTON  
EXIT CONFERENCE

The contents of this report were discussed on November 17, 2010, with Morris "Smokey" Graves, Mayor; Arvina Bozarth, Clerk-Treasurer; and Phillip A. Ball, General Manager of the Electric and Water Utilities. Our examination disclosed no material items that warrant comment at this time.