

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, 2010 to December 31, 2010



FILED
10/05/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Arvina G. Bozarth	01-01-08 to 12-31-11
Mayor	Morris W. "Smokey" Graves	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Morris W. "Smokey" Graves	01-01-08 to 12-31-11
President of the Common Council	Adam Goffinet	01-01-10 to 12-31-11
General Manager of the Electric and Water Utilities	Phillip A. Ball	01-01-10 to 12-31-11
Superintendent of the Wastewater Utility	Jerry A. Ball	01-01-10 to 12-31-11
President of the Utility Service Board	James Peters	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 statement of the City of Cannelton (City), for the period of January 1, 2010 to December 31, 2010. The City's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, Common Council, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 22, 2011

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FINANCIAL STATEMENT

CITY OF CANNELTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 161,757	\$ 534,015	\$ 559,875	\$ 135,897
Motor Vehicle Highway	30,982	45,346	60,857	15,471
Local Road And Street	7,435	6,308	11,873	1,870
Donations	7,872	8,163	5,432	10,603
Economic Development Operating	66,838	11,567	18,026	60,379
Law Enforcement Continuing Ed	344	913	1,123	134
Riverboat	22,836	7,566	6,691	23,711
Grant, Misc	2,333	195,553	195,725	2,161
Rainy Day	28,372	25,423	21,239	32,556
Levy Excess	-	1,151	-	1,151
Cemetery Perpetual	11,903	12	-	11,915
Community Center Gym Donation	8,937	400	766	8,571
Hafele Park	1,415	-	317	1,098
Cumulative Capl Imprv Cigarette Tax	16,161	3,540	595	19,106
Cedit Capital Projects	183,432	100,251	89,571	194,112
Police Pension	55,207	30,117	14,872	70,452
Payroll	8,437	342,711	344,132	7,016
Electric Utility-Operating	368,753	1,609,779	1,526,620	451,912
Electric Utility-Deprec/Improve	82,057	-	-	82,057
Electric Utility-Customer Deposit	40,581	22,300	16,046	46,835
Trash Utility-Operating	151,388	131,750	107,138	176,000
Wastewater Utility-Operating	138,408	247,167	220,407	165,168
Wastewater Util-Bond And Interest	18,569	25,563	24,973	19,159
Wastewater Utility-Deprec/Improve	16,056	30	-	16,086
Wastewater Utility-Debt Reserve	25,000	-	-	25,000
Water Utility-Operating	82,124	272,640	288,335	66,429
Water Utility-Bond And Interest	5,601	67,418	67,209	5,810
Water Utility-Customer Deposit	7,307	3,028	2,220	8,115
Water Utility-Debt Reserve	70,254	-	-	70,254
Totals	\$ 1,620,359	\$ 3,692,711	\$ 3,584,042	\$ 1,729,028

The notes to the financial statement are an integral part of this statement.

CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

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

CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. Pension Plans

A. *1925 Police Officers' Pension Plan*

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan. The City has one retiree currently receiving benefits.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

CITY OF CANNELTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

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

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

The City also contributes to additional pension plans unique to the City. Information regarding these plans may be obtained from the City.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF CANNELTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Donations	Economic Development Operating	Law Enforcement Continuing Ed
Cash and investments - beginning	\$ 161,757	\$ 30,982	\$ 7,435	\$ 7,872	\$ 66,838	\$ 344
Receipts:						
Taxes	337,918	-	-	-	-	-
Licenses and permits	355	-	-	-	-	230
Intergovernmental	98,878	45,346	6,308	-	-	-
Charges for services	42,116	-	-	-	-	430
Fines and forfeits	4,718	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	50,030	-	-	8,163	11,567	253
Total receipts	<u>534,015</u>	<u>45,346</u>	<u>6,308</u>	<u>8,163</u>	<u>11,567</u>	<u>913</u>
Disbursements:						
Personal services	221,323	50,654	-	-	-	-
Supplies	68,134	10,203	873	5,432	-	1,123
Other services and charges	255,194	-	11,000	-	18,026	-
Debt service - principal and interest	6,974	-	-	-	-	-
Capital outlay	8,250	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>559,875</u>	<u>60,857</u>	<u>11,873</u>	<u>5,432</u>	<u>18,026</u>	<u>1,123</u>
Excess (deficiency) of receipts over disbursements	<u>(25,860)</u>	<u>(15,511)</u>	<u>(5,565)</u>	<u>2,731</u>	<u>(6,459)</u>	<u>(210)</u>
Cash and investments - ending	<u>\$ 135,897</u>	<u>\$ 15,471</u>	<u>\$ 1,870</u>	<u>\$ 10,603</u>	<u>\$ 60,379</u>	<u>\$ 134</u>

CITY OF CANNELTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Riverboat	Grant, Misc	Rainy Day	Levy Excess	Cemetery Perpetual	Community Center Gym Donation
Cash and investments - beginning	\$ 22,836	\$ 2,333	\$ 28,372	\$ -	\$ 11,903	\$ 8,937
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	7,566	195,553	25,423	1,151	-	-
Charges for services	-	-	-	-	-	400
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	12	-
Total receipts	<u>7,566</u>	<u>195,553</u>	<u>25,423</u>	<u>1,151</u>	<u>12</u>	<u>400</u>
Disbursements:						
Personal services	-	149,597	-	-	-	-
Supplies	-	46,128	-	-	-	166
Other services and charges	6,691	-	21,239	-	-	600
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>6,691</u>	<u>195,725</u>	<u>21,239</u>	<u>-</u>	<u>-</u>	<u>766</u>
Excess (deficiency) of receipts over disbursements	<u>875</u>	<u>(172)</u>	<u>4,184</u>	<u>1,151</u>	<u>12</u>	<u>(366)</u>
Cash and investments - ending	<u>\$ 23,711</u>	<u>\$ 2,161</u>	<u>\$ 32,556</u>	<u>\$ 1,151</u>	<u>\$ 11,915</u>	<u>\$ 8,571</u>

CITY OF CANNELTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Hafele Park	Cumulative Capl Imprv Cigarette Tax	Cedit Capital Projects	Police Pension	Payroll	Electric Utility-Operating
Cash and investments - beginning	\$ 1,415	\$ 16,161	\$ 183,432	\$ 55,207	\$ 8,437	\$ 368,753
Receipts:						
Taxes	-	-	100,251	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	3,540	-	30,117	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,582,681
Other receipts	-	-	-	-	342,711	27,098
Total receipts	-	3,540	100,251	30,117	342,711	1,609,779
Disbursements:						
Personal services	-	-	-	14,872	-	-
Supplies	-	-	-	-	-	-
Other services and charges	317	595	89,571	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	1,411,515
Other disbursements	-	-	-	-	344,132	115,105
Total disbursements	317	595	89,571	14,872	344,132	1,526,620
Excess (deficiency) of receipts over disbursements	(317)	2,945	10,680	15,245	(1,421)	83,159
Cash and investments - ending	\$ 1,098	\$ 19,106	\$ 194,112	\$ 70,452	\$ 7,016	\$ 451,912

CITY OF CANNELTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Electric Utility-Deprec/Improve	Electric Utility-Customer Deposit	Trash Utility-Operating	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve
Cash and investments - beginning	\$ 82,057	\$ 40,581	\$ 151,388	\$ 138,408	\$ 18,569	\$ 16,056
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	130,812	246,149	-	-
Other receipts	-	22,300	938	1,018	25,563	30
Total receipts	-	22,300	131,750	247,167	25,563	30
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	24,973	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	16,046	101,798	194,213	-	-
Other disbursements	-	-	5,340	26,194	-	-
Total disbursements	-	16,046	107,138	220,407	24,973	-
Excess (deficiency) of receipts over disbursements	-	6,254	24,612	26,760	590	30
Cash and investments - ending	\$ 82,057	\$ 46,835	\$ 176,000	\$ 165,168	\$ 19,159	\$ 16,086

CITY OF CANNELTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 25,000	\$ 82,124	\$ 5,601	\$ 7,307	\$ 70,254	\$ 1,620,359
Receipts:						
Taxes	-	-	-	-	-	438,169
Licenses and permits	-	-	-	-	-	585
Intergovernmental	-	-	-	-	-	413,882
Charges for services	-	-	-	-	-	42,946
Fines and forfeits	-	-	-	-	-	4,718
Utility fees	-	271,199	-	-	-	2,230,841
Other receipts	-	1,441	67,418	3,028	-	561,570
Total receipts	-	272,640	67,418	3,028	-	3,692,711
Disbursements:						
Personal services	-	-	-	-	-	436,446
Supplies	-	-	-	-	-	132,059
Other services and charges	-	-	-	-	-	403,233
Debt service - principal and interest	-	-	67,209	-	-	99,156
Capital outlay	-	-	-	-	-	8,250
Utility operating expenses	-	186,745	-	2,220	-	1,912,537
Other disbursements	-	101,590	-	-	-	592,361
Total disbursements	-	288,335	67,209	2,220	-	3,584,042
Excess (deficiency) of receipts over disbursements	-	(15,695)	209	808	-	108,669
Cash and investments - ending	\$ 25,000	\$ 66,429	\$ 5,810	\$ 8,115	\$ 70,254	\$ 1,729,028

CITY OF CANNELTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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	2,659,142
Buildings	2,417,750
Improvements other than buildings	41,164
Machinery and equipment	274,621
Transportation Equipment	<u>601,900</u>
Total governmental fund capital assets	<u>\$ 6,043,563</u>

<u>Cannelton Water, Wastewater, Electric, and Trash Utilities</u>	<u>Ending Balance</u>
Proprietary funds:	
Water Utility:	
Capital assets, not being depreciated:	
Land	<u>\$ 6,901</u>
Capital assets, being depreciated:	
Buildings	40,204
Improvements other than buildings	2,359,530
Machinery and equipment	<u>97,700</u>
Total Water Utility capital assets, being depreciated	<u>2,497,434</u>
Total Water Utility capital assets	<u>2,504,335</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	<u>3,050</u>
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, being depreciated	<u>1,719,290</u>
Total Wastewater Utility capital assets	<u>1,722,340</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	<u>10,500</u>
Capital assets, being depreciated:	
Buildings	198,668
Improvements other than buildings	1,990,836
Machinery and equipment	112,260
Transportation equipment	<u>230,584</u>
Total Electric Utility capital assets, being depreciated	<u>2,532,348</u>
Total Electric Utility capital assets	<u>2,542,848</u>
Trash Utility:	
Capital assets, being depreciated:	
Machinery and equipment	<u>100,654</u>
Total proprietary funds capital assets	<u>\$ 6,870,177</u>

CITY OF CANNELTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Capital leases:			
Community center building	\$ 280,000	\$ 50,000	CEDIT
Loans payable:			
Dump truck loan	15,595	4,374	General/Street
Flood control loan	18,000	2,540	General/Floodwall
2002 state revolving loan	264,315	3,833	Water Bond and Interest
Bonds payable:			
Revenue bonds:			
1996 revenue bonds	35,000	1,028	Water Bond and Interest
2002 refunding revenue bonds	<u>139,000</u>	<u>25,139</u>	Wastewater Bond and Interest
Total debt	<u>\$ 751,910</u>	<u>\$ 86,914</u>	

CITY OF CANNELTON
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT (Applies to the City and Electric and Water Utilities)

The Annual Report for 2010 was filed timely but was not completed accurately for all funds.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

INTERNAL CONTROLS (Applies to the City)

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

1. Lack of adequate segregation of duties over civil city receipts. The Clerk-Treasurer posts receipts to the ledger as well as makes the deposits to the bank.
2. Disbursements entered in the ledger of receipts, disbursements, and balances were not posted to the appropriations ledger in some cases.
3. The Annual Report contained errors such as no receipts or no disbursements entered for certain funds which had receipts and disbursements as entered in the ledger of receipts, disbursements, and balances.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTEREST ON INVESTMENTS (Applies to the City)

Interest earned on the Cemetery Perpetual Fund investment was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (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 August 22, 2011, with Morris W. "Smokey" Graves, Mayor; Arvina G. Bozarth, Clerk-Treasurer; and Phillip A. Ball, General Manager of the Electric and Water Utilities. The officials concurred with our findings.