

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF CHARLESTOWN
CLARK COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
08/31/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Coomer	01-01-08 to 12-31-15
Mayor	G. Robert Hall	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	G. Robert Hall	01-01-08 to 12-31-15
President of the Common Council	Scott McKechnie	01-01-11 to 12-31-12
City Court Judge	George Waters	01-01-08 to 12-31-11
Superintendent of Utilities	Mike Perry	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statement of the City of Charlestown (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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.

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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 6, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of 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 others within the entity, federal awarding agencies, and pass-through entities 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 6, 2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statement of the City of Charlestown (City), for the year ended December 31, 2011, and have issued our report thereon dated August 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities 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 6, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF CHARLESTOWN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 2,042	\$ 3,127,044	\$ 2,898,998	\$ 230,088
Motor Vehicle Highway	76,479	169,994	236,815	9,658
Local Road and Street	112,001	72,155	68,195	115,961
Parks Department NRF	6,486	14,990	7,150	14,326
Alcohol and Drug Services	2,100	4,125	6,225	-
NRF Planning and Zoning Review and Development Fees	5,943	36,577	34,618	7,902
Beautification	23,578	41,354	42,720	22,212
Local Law Enforcement Continuing Education	16,932	5,937	15,708	7,161
Clerk's Record Perpetuation	8,229	352	-	8,581
Deferral Program	26,025	1,590	300	27,315
User Fees	2,522	2,600	4,171	951
Rainy Day Fund	645,181	106,157	170,000	581,338
Charlestown Police Department K-9 NRF	1,069	100	-	1,169
EDIT	816,827	225,202	431,170	610,859
City Parks Capital	18,396	7,005	4,697	20,704
Police Equipment NRF	4,035	119,574	87,022	36,587
City Improvement	11,936	9,954	8,073	13,817
Cumulative Capital Improvement	4	43,210	-	43,214
TIF	675,730	515,454	562,519	628,665
Police Pension	136,732	95,553	93,770	138,515
County Court Costs	1,364	2,874	4,156	82
Riverboat Wagering Revenue	37,505	-	26,000	11,505
LOIT Public Safety	171,892	175,446	160,906	186,432
City Court	5,028	29,105	31,435	2,698
Charlestown Police Department Youth Coalition NRF	1,021	6,346	6,713	654
Charlestown Police Department SRT NRF	78	-	-	78
Charlestown Police Department Grant NRF	5,007	-	-	5,007
Neighborhood Block Watch	2,685	-	-	2,685
Vehicle Tow In Fees	150	1,475	-	1,625
Christmas With A Cop	10,350	10,211	10,414	10,147
Charlestown Police Department Miscellaneous NRF	7,612	5,676	1,932	11,356
Police Payroll Grants	3,550	58,892	57,493	4,949
Employee Recognition	-	5,082	2,650	2,432
Youth and Family Complex	-	262,000	257,310	4,690
Capital Trust Fund	990,015	53,008	16,069	1,026,954
Economic Development	10	-	-	10
Mayor's Christmas Awards	850	-	-	850
Utility Clearing Fund	-	44,772	44,686	86
Payroll	39,685	2,111,150	2,116,560	34,275
Wastewater Operating	365,353	1,700,506	1,645,113	420,746
Spring Street Grant	-	600,000	600,000	-
Sanitary Sewer Project Retainage	-	60,799	60,799	-
Construction Retainage	89,336	33,069	122,405	-
Wastewater Bond and Interest	144,800	428,856	421,624	152,032
Wastewater Debt Service Reserve	430,600	5,060	5,112	430,548
Sewer Construction Cash	-	238,897	206,691	32,206
Water Operating	99,249	809,219	866,206	42,262
Water Guarantee Meter Deposit	58,288	11,008	10,694	58,602
Water Bond and Interest	170	138,694	138,118	746
Water Debt Service Reserve	125,351	28,476	-	153,827
Totals	<u>\$ 5,182,196</u>	<u>\$ 11,419,548</u>	<u>\$ 11,485,237</u>	<u>\$ 5,116,507</u>

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

CITY OF CHARLESTOWN
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, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts may include 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, 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, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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

CITY OF CHARLESTOWN
NOTES TO FINANCIAL STATEMENT
(Continued)

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, recycling 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.

Penalties which include fees received for late payments.

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 statement. 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.

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.

CITY OF CHARLESTOWN
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

CITY OF CHARLESTOWN
NOTES TO FINANCIAL STATEMENT
(Continued)

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 any replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF CHARLESTOWN
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 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.

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 Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 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 Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF CHARLESTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	Motor Vehicle Highway	Local Road and Street	Parks Department NRF	Alcohol and Drug Services	NRF Planning and Zoning Review and Development Fees	Beautification
Cash and investments - beginning	\$ 2,042	\$ 76,479	\$ 112,001	\$ 6,486	\$ 2,100	\$ 5,943	\$ 23,578
Receipts:							
Taxes	1,721,449	-	-	-	-	-	-
Licenses and permits	15,000	-	-	-	-	36,577	-
Intergovernmental	963,700	167,279	72,155	-	-	-	-
Charges for services	360,055	-	-	14,990	-	-	-
Fines and forfeits	4,494	-	-	-	4,125	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	62,346	2,715	-	-	-	-	41,354
Total receipts	<u>3,127,044</u>	<u>169,994</u>	<u>72,155</u>	<u>14,990</u>	<u>4,125</u>	<u>36,577</u>	<u>41,354</u>
Disbursements:							
Personal services	1,917,254	95,512	-	-	-	-	-
Supplies	188,388	10,550	21,417	-	-	-	13,632
Other services and charges	599,168	111,194	-	7,150	-	34,618	29,088
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	53,807	19,559	46,778	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	140,381	-	-	-	6,225	-	-
Total disbursements	<u>2,898,998</u>	<u>236,815</u>	<u>68,195</u>	<u>7,150</u>	<u>6,225</u>	<u>34,618</u>	<u>42,720</u>
Excess (deficiency) of receipts over disbursements	<u>228,046</u>	<u>(66,821)</u>	<u>3,960</u>	<u>7,840</u>	<u>(2,100)</u>	<u>1,959</u>	<u>(1,366)</u>
Cash and investments - ending	<u>\$ 230,088</u>	<u>\$ 9,658</u>	<u>\$ 115,961</u>	<u>\$ 14,326</u>	<u>\$ -</u>	<u>\$ 7,902</u>	<u>\$ 22,212</u>

CITY OF CHARLESTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Local Law Enforcement Continuing Education	Clerk's Record Perpetuation	Deferral Program	User Fees	Rainy Day Fund	Charlestown Police Department K-9 NRF	EDIT
Cash and investments - beginning	\$ 16,932	\$ 8,229	\$ 26,025	\$ 2,522	\$ 645,181	\$ 1,069	\$ 816,827
Receipts:							
Taxes	-	-	-	-	106,157	-	175,202
Licenses and permits	1,970	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	50,000
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	3,967	352	1,590	2,600	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	100	-
Total receipts	<u>5,937</u>	<u>352</u>	<u>1,590</u>	<u>2,600</u>	<u>106,157</u>	<u>100</u>	<u>225,202</u>
Disbursements:							
Personal services	-	-	300	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	15,708	-	-	-	170,000	-	108,767
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	272,403
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	4,171	-	-	50,000
Total disbursements	<u>15,708</u>	<u>-</u>	<u>300</u>	<u>4,171</u>	<u>170,000</u>	<u>-</u>	<u>431,170</u>
Excess (deficiency) of receipts over disbursements	<u>(9,771)</u>	<u>352</u>	<u>1,290</u>	<u>(1,571)</u>	<u>(63,843)</u>	<u>100</u>	<u>(205,968)</u>
Cash and investments - ending	<u>\$ 7,161</u>	<u>\$ 8,581</u>	<u>\$ 27,315</u>	<u>\$ 951</u>	<u>\$ 581,338</u>	<u>\$ 1,169</u>	<u>\$ 610,859</u>

CITY OF CHARLESTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	City Parks Capital	Police Equipment NRF	City Improvement	Cumulative Capital Improvement	TIF	Police Pension	County Court Costs
Cash and investments - beginning	\$ 18,396	\$ 4,035	\$ 11,936	\$ 4	\$ 675,730	\$ 136,732	\$ 1,364
Receipts:							
Taxes	-	-	-	26,000	515,454	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	17,210	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	2,874
Utility fees	-	-	-	-	-	-	-
Other receipts	7,005	119,574	9,954	-	-	95,553	-
Total receipts	7,005	119,574	9,954	43,210	515,454	95,553	2,874
Disbursements:							
Personal services	279	-	-	-	-	-	-
Supplies	-	-	-	-	1,585	-	-
Other services and charges	-	-	3,450	-	224,077	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	4,418	87,022	4,623	-	195,623	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	141,234	93,770	4,156
Total disbursements	4,697	87,022	8,073	-	562,519	93,770	4,156
Excess (deficiency) of receipts over disbursements	2,308	32,552	1,881	43,210	(47,065)	1,783	(1,282)
Cash and investments - ending	\$ 20,704	\$ 36,587	\$ 13,817	\$ 43,214	\$ 628,665	\$ 138,515	\$ 82

CITY OF CHARLESTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Riverboat Wagering Revenue	LOIT Public Safety	City Court	Charlestown Police Department Youth Coalition NRF	Charlestown Police Department SRT NRF	Charlestown Police Department Grant NRF
Cash and investments - beginning	\$ 37,505	\$ 171,892	\$ 5,028	\$ 1,021	\$ 78	\$ 5,007
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	175,446	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	29,105	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	6,346	-	-
Total receipts	-	175,446	29,105	6,346	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	6,713	-	-
Other services and charges	26,000	126,592	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	34,314	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	31,435	-	-	-
Total disbursements	26,000	160,906	31,435	6,713	-	-
Excess (deficiency) of receipts over disbursements	(26,000)	14,540	(2,330)	(367)	-	-
Cash and investments - ending	\$ 11,505	\$ 186,432	\$ 2,698	\$ 654	\$ 78	\$ 5,007

CITY OF CHARLESTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Neighborhood Block Watch	Vehicle Tow In Fees	Christmas With A Cop	Charlestown Police Department Miscellaneous NRF	Police Payroll Grants	Employee Recognition
Cash and investments - beginning	\$ 2,685	\$ 150	\$ 10,350	\$ 7,612	\$ 3,550	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	58,892	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	1,475	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	10,211	5,676	-	5,082
Total receipts	-	1,475	10,211	5,676	58,892	5,082
Disbursements:						
Personal services	-	-	-	-	57,493	2,650
Supplies	-	-	-	-	-	-
Other services and charges	-	-	10,414	1,932	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	10,414	1,932	57,493	2,650
Excess (deficiency) of receipts over disbursements	-	1,475	(203)	3,744	1,399	2,432
Cash and investments - ending	\$ 2,685	\$ 1,625	\$ 10,147	\$ 11,356	\$ 4,949	\$ 2,432

CITY OF CHARLESTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Youth and Family Complex	Capital Trust Fund	Economic Development	Mayor's Christmas Awards	Utility Clearing Fund	Payroll
Cash and investments - beginning	\$ -	\$ 990,015	\$ 10	\$ 850	\$ -	\$ 39,685
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	262,000	53,008	-	-	44,772	2,111,150
Total receipts	<u>262,000</u>	<u>53,008</u>	<u>-</u>	<u>-</u>	<u>44,772</u>	<u>2,111,150</u>
Disbursements:						
Personal services	-	-	-	-	-	1,571,739
Supplies	-	-	-	-	-	-
Other services and charges	-	16,069	-	-	44,686	644
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	257,310	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	544,177
Total disbursements	<u>257,310</u>	<u>16,069</u>	<u>-</u>	<u>-</u>	<u>44,686</u>	<u>2,116,560</u>
Excess (deficiency) of receipts over disbursements	<u>4,690</u>	<u>36,939</u>	<u>-</u>	<u>-</u>	<u>86</u>	<u>(5,410)</u>
Cash and investments - ending	<u>\$ 4,690</u>	<u>\$ 1,026,954</u>	<u>\$ 10</u>	<u>\$ 850</u>	<u>\$ 86</u>	<u>\$ 34,275</u>

CITY OF CHARLESTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Operating	Spring Street Grant	Sanitary Sewer Project Retainage	Construction Retainage	Wastewater Bond and Interest	Wastewater Debt Service Reserve
Cash and investments - beginning	\$ 365,353	\$ -	\$ -	\$ 89,336	\$ 144,800	\$ 430,600
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	600,000	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	1,344,091	-	-	-	-	-
Other receipts	356,415	-	60,799	33,069	428,856	5,060
Total receipts	<u>1,700,506</u>	<u>600,000</u>	<u>60,799</u>	<u>33,069</u>	<u>428,856</u>	<u>5,060</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	1,240	-	-	-	421,624	-
Capital outlay	388,505	600,000	-	-	-	-
Utility operating expenses	802,819	-	-	-	-	-
Other disbursements	452,549	-	60,799	122,405	-	5,112
Total disbursements	<u>1,645,113</u>	<u>600,000</u>	<u>60,799</u>	<u>122,405</u>	<u>421,624</u>	<u>5,112</u>
Excess (deficiency) of receipts over disbursements	<u>55,393</u>	<u>-</u>	<u>-</u>	<u>(89,336)</u>	<u>7,232</u>	<u>(52)</u>
Cash and investments - ending	<u>\$ 420,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,032</u>	<u>\$ 430,548</u>

CITY OF CHARLESTOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sewer Construction Cash	Water Operating	Water Guarantee Meter Deposit	Water Bond and Interest	Water Debt Service Reserve	Totals
Cash and investments - beginning	\$ -	\$ 99,249	\$ 58,288	\$ 170	\$ 125,351	\$ 5,182,196
Receipts:						
Taxes	-	-	-	-	-	2,544,262
Licenses and permits	-	-	-	-	-	53,547
Intergovernmental	-	-	-	-	-	2,104,682
Charges for services	-	-	-	-	-	375,045
Fines and forfeits	-	-	-	-	-	50,582
Utility fees	-	778,566	-	-	-	2,122,657
Other receipts	238,897	30,653	11,008	138,694	28,476	4,168,773
Total receipts	238,897	809,219	11,008	138,694	28,476	11,419,548
Disbursements:						
Personal services	-	-	-	-	-	3,645,227
Supplies	-	-	-	-	-	242,285
Other services and charges	-	-	-	-	-	1,529,557
Debt service - principal and interest	-	-	-	138,118	-	560,982
Capital outlay	206,691	86,623	-	-	-	2,257,676
Utility operating expenses	-	557,416	40	-	-	1,360,275
Other disbursements	-	222,167	10,654	-	-	1,889,235
Total disbursements	206,691	866,206	10,694	138,118	-	11,485,237
Excess (deficiency) of receipts over disbursements	32,206	(56,987)	314	576	28,476	(65,689)
Cash and investments - ending	\$ 32,206	\$ 42,262	\$ 58,602	\$ 746	\$ 153,827	\$ 5,116,507

CITY OF CHARLESTOWN
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 94,044	\$ 37,491
Wastewater	28,459	159,672
Water	<u>25,102</u>	<u>53,883</u>
Totals	<u>\$ 147,605</u>	<u>\$ 251,046</u>

CITY OF CHARLESTOWN
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
1st Source	Police Vehicles	\$ 34,314	05-07-09	05-07-12
The New Washington State Bank	3 Sanitation Trucks	<u>48,607</u>	09-15-11	09-15-17
Total governmental activities		<u>82,921</u>		
Wastewater:				
Key Government Finance	Vactor Truck	44,301	05-01-09	06-01-14
The New Washington State Bank	Kubota Excavator	<u>19,227</u>	09-15-11	09-15-15
Total Wastewater		<u>63,528</u>		
Total of annual lease payments		<u>\$ 146,449</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Tax anticipation warrants	waterworks improvements to benefit tif area	\$ 440,000	\$ 99,908
Wastewater:			
Revenue bonds	sewer upgrades	335,000	124,430
Revenue bonds	upgrade sewer plant	<u>3,425,000</u>	<u>306,118</u>
Total Wastewater		<u>3,760,000</u>	<u>4,190,548</u>
Water:			
Revenue bonds	update water plant	<u>1,860,000</u>	<u>136,672</u>
Totals		<u>\$ 6,060,000</u>	<u>\$ 667,128</u>

CITY OF CHARLESTOWN
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 499,292
Infrastructure	8,841,741
Buildings	927,175
Improvements other than buildings	34,053
Machinery, equipment and vehicles	3,499,528
Construction in progress	233,271
Total governmental activities	14,035,060
Wastewater:	
Land	80,787
Infrastructure	7,442,166
Buildings	2,928,683
Improvements other than buildings	95,500
Machinery, equipment and vehicles	2,440,884
Construction in progress	85,286
Total Wastewater	13,073,306
Water:	
Land	2,725
Infrastructure	5,681,618
Buildings	8,995
Improvements other than buildings	1,425,124
Machinery, equipment and vehicles	380,936
Construction in progress	233,233
Total Water	7,732,631
Total capital assets	\$ 34,840,997

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Charlestown (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2011. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities 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 6, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF CHARLESTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs			
CDBG - State Administered CDBG Cluster			
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228		
Sanitary Sewer Interceptor Project		038-CDBG-10-SUB	\$ 600,000
Strategic Economic Development Plan		038-CDBG-09-SUB	<u>50,000</u>
Total for cluster			<u>650,000</u>
Total for federal grantor agency			<u>650,000</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
Clark County Traffic Safety Partnership		032NHTSA4022011	32,270
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		
Clark County DUI Taskforce		032NHTSA4102011	<u>26,400</u>
Total for cluster			<u>58,670</u>
Total for federal grantor agency			<u>58,670</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority			
ARRA - Capitalization Grants for Clean Water State Revolving Funds			
State Revolving Loan	66.458		
		WW09021001	<u>152,061</u>
Total for program			<u>152,061</u>
Total for federal grantor agency			<u>152,061</u>
Total federal awards expended			<u>\$ 860,731</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF CHARLESTOWN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Charlestown (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

Program Title	Federal CFDA Number	2011
State and Community Highway Safety	20.600	\$ 24,302
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	18,239

CITY OF CHARLESTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____
CDBG - State Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF CHARLESTOWN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF CHARLESTOWN
EXIT CONFERENCE

The contents of this report were discussed on August 6, 2012, with Donna Coomer, Clerk-Treasurer, and G. Robert Hall, Mayor. Our audit disclosed no material items that warrant comment at this time.