

B30889

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

EXAMINATION REPORT  
OF  
CITY OF CRAWFORDSVILLE  
MONTGOMERY COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
10/30/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nellie Thompson	01-01-04 to 12-31-07
Mayor	John P. Zumer	01-01-04 to 12-31-07
President of the Common Council	Les Hearson Steve Frees	01-01-06 to 10-31-06 11-13-06 to 12-31-07
Superintendent of Wastewater Utility	Thomas W. Mitchell	01-01-06 to 12-31-07
Superintendent of Electric Utility	Roy E. Kaser	01-01-06 to 12-31-07
Controller of the Electric Utility	Michael W. Mitchell	01-01-06 to 05-30-06
Chief Accountant – Electric Utility	John Lamb	05-31-06 to 12-31-07



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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF CRAWFORDSVILLE, MONTGOMERY COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Crawfordsville (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the schedule. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 27, 2007

CITY OF CRAWFORDSVILLE  
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, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 5,093,865	\$ 16,093,489	\$ 15,925,276	\$ 5,262,078
Aviation	120,901	122,941	107,745	136,097
Civil Defense	52,177	57,994	40,073	70,098
Donations	100	-	-	100
Law Enforcement Continuing Education	15,267	11,532	8,387	18,412
Local Road and Street	744,356	460,615	508,489	696,482
Motor Vehicle Highway	643,712	2,174,226	2,008,946	808,992
Park Nonreverting Operating	127,856	679,073	685,452	121,477
Parking Meter	129,985	88,298	97,771	120,512
Park and Recreation	366,242	1,417,562	1,271,367	512,437
Riverboat	281,021	95,920	31,200	345,741
Cumulative Capital Development	1,102,067	762,233	757,046	1,107,254
Cumulative Capital Improvement	438,015	54,456	46,208	446,263
Airport Hangar Depreciation	9,385	1,073	-	10,458
Airport Hangar Operating and Maintenance	7,049	1,073	-	8,122
Ambulance Major Rescue Equipment and Training	146,295	164,668	5,541	305,422
Asbestos Abatement	347	-	-	347
Aviation Project	38,791	89,500	84,436	43,855
Civil Defense Copier	27,425	3,019	1,163	29,281
Commerce Park TIF Bond, Interest	-	381,044	188,583	192,461
Commerce Park TIF Bond Proceeds	1,956,061	62,032	1,522,939	495,154
Communication Center Help Line	-	14,270	9,690	4,580
Cum Cap Fire Special/Property Tax	-	169,322	-	169,322
Cumulative Capital Building	150	-	-	150
Crawfordsville Historical District Capital Improvement	182,654	16,577	27,934	171,297
Crawfordsville Square Debt Reserve	291,820	8,755	-	300,575
Crawfordsville Square Bond and Interest	1,209,875	624,081	275,131	1,558,825
Crawfordsville Square TIF	3,332	119	225	3,226
Downtown Sidewalk Streetscape	7,126	-	2,628	4,498
Drainage Permit	15	-	-	15
Excess Levy	-	110,301	110,301	-
Fire Apparatus Major Equipment	260,451	58,076	271,488	47,039
Fire Equipment Nonreverting	51,914	16,894	56,062	12,746
Golf Course Authority	-	61,387	-	61,387
Kroger/Pace Dairy TIF Bond and Interest	-	12,228	-	12,228

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

CITY OF CRAWFORDSVILLE  
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, 2006  
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds (continued):				
Park and Recreation - Golf Improvement	45,513	70,654	116,167	-
Park and Recreation - Capital Improvement	5,338	-	-	5,338
Park and Recreation - Muffy	9,803	34,000	29,960	13,843
Park and Recreation - Title III	(992)	12,337	14,461	(3,116)
Police Building Bond and Interest	13,020	104,294	111,165	6,149
Police Communication Nonreverting	389	500	826	63
Police Equipment Nonreverting	17,319	11,780	23,734	5,365
Police Child Victim	3,821	-	2,000	1,821
Police Drug Seizure	22	-	-	22
Rehabilitation	253,102	22,547	579	275,070
Sidewalk Maintenance and Improvement	27,335	16,492	11,112	32,715
Urban Development Grant	128,660	418,254	75,361	471,553
Wheel Tax	32,263	41,400	47,800	25,863
Yard Waste Fees Trust	1,809	840	1,195	1,454
Proprietary Funds:				
Electric Utility Bond and Interest	355,164	330,831	345,784	340,211
Electric Utility Customer Deposit	116,805	74,740	65,065	126,480
Electric Utility Depreciation	1,860,211	368,300	426,342	1,802,169
Electric Utility Operating	2,685,397	31,969,789	31,977,373	2,677,813
Electric Utility Cash Reserve	548,399	436,283	425,000	559,682
Electric Utility Flex Benefits	3,213	102,661	102,661	3,213
Electric Utility Telecom	7,872	125,875	122,644	11,103
Wastewater Utility Bond and Interest	-	702,000	700,248	1,752
Wastewater Utility Construction	1,611,704	261,167	1,821,697	51,174
Wastewater Utility Operating	1,415,511	2,860,341	2,684,163	1,591,689
Wastewater Utility Debt Reserve	574,785	-	-	574,785
Fiduciary Funds:				
Fire Pension	485,848	678,330	503,594	660,584
Police Pension	436,880	518,953	463,085	492,748
Payroll	290,632	9,881,839	9,887,213	285,258
Totals	<u>\$ 24,238,077</u>	<u>\$ 72,856,965</u>	<u>\$ 74,003,310</u>	<u>\$ 23,091,732</u>

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

CITY OF CRAWFORDSVILLE  
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: electric, wastewater, public safety, planning and zoning, economic development, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

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

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF CRAWFORDSVILLE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The City has entered into various debts such as bonds for economic development (TIF), bonds for commerce park improvements, bonds for a new police station, bonds for electric utility improvements, capital lease for telecommunication improvements, a loan for wastewater utility improvements, bonds for wastewater utility improvements, and various capital leases for equipment. The outstanding principal at December 31, 2006, was \$2,050,000, \$4,500,000, \$300,000, \$325,000, \$16,600,000, \$4,610,864, \$1,490,000, and \$110,529, respectively.

Note 8. Building Corporation

The Crawfordsville Electric Light and Power, as a department of the City of Crawfordsville, has entered into a capital lease with the Accelplus 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 telecommunication facilities for lease to the City. The lessor has been determined to be a related party of the City. Construction is expected to be substantially complete by December 31, 2007. The principal amount of the capital lease is \$16,660,000. The lease payments made in 2007 are to be interest only, principal payments begin in 2008.

CITY OF CRAWFORDSVILLE  
EXAMINATION RESULT AND COMMENT

INTERNAL CONTROLS - BUILDING DEPARTMENT

As previously reported in B25529 and B29152, controls over the receipting, recording, and accounting for the financial activities were insufficient in the Department of Planning and Community Development as follows:

- (1) Permits are not prenumbered.
- (2) Voided permits are included with active files; not marked as "Void."

Failure to implement proper internal controls can facilitate misappropriation of assets. It can be a detriment to financial reporting and cause the financial statements to be misstated.

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)

CITY OF CRAWFORDSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 27, 2007, with Steve Frees, President of the Common Council; Nellie Thompson, Clerk-Treasurer; and Brandy Allen, Director of Planning and Community Development. The officials concurred with our finding.