

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

EXAMINATION REPORT

OF

CITY OF CHARLESTOWN

CLARK COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Coomer	01-01-04 to 12-31-11
Mayor	Michael D. Hall G. Robert Hall	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works	G. Robert Hall	01-01-07 to 12-31-08
President of the Common Council	Brian D. Walker Jeff Aaron	01-01-07 to 12-31-07 01-01-08 to 12-31-08
City Court Judge	George Waters	01-01-04 to 12-31-11
Water Utility Superintendent	Allan Lesnet	01-01-07 to 12-31-08
Wastewater Utility Superintendent	Mike Perry	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Charlestown (Town), for the period of January 1, 2007 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 27, 2008

CITY OF CHARLESTOWN
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, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 588,460	\$ 2,931,706	\$ 3,272,741	\$ 247,425
Riverboat Wagering Revenue	1,757	37,790	12,034	27,513
Shop With A Cop	6,976	9,612	10,428	6,160
Local Roads and Streets	25,717	74,708	57,123	43,302
Motor Vehicle Highway	187,075	475,434	585,721	76,788
Police Grant DUI	204	15,399	14,630	973
Police Miscellaneous Revenue	2,359	4,000	6,277	82
TIF Fund	-	11,410	11,410	-
Rainy Day Fund	-	534,418	-	534,418
Nonreverting Planning and Zoning Review and Development Fees Fund				
	308	34,750	33,311	1,747
Local Law Enforcement Continuing Education	921	6,040	5,284	1,677
Clerk's Record Perpetuation Fund	4,107	776	-	4,883
City Parks Capital Fund	21,140	32,859	1,234	52,765
City Parks Improvement Fund	5,282	4,500	2,178	7,604
Park Grant Fund	37,541	11,753	37,541	11,753
Youth Coalition	-	3,366	3,366	-
Police K-9 Division	2,036	4,110	1,285	4,861
Police SRT NRF	872	10,600	10,439	1,033
Police Grant NR	-	6,474	6,470	4
Nonreverting Capital Trust Fund	1,122,958	338,984	1,429,682	32,260
Vehicle Tow-In Fees	-	625	-	625
Cumulative Capital Improvement	45,668	21,049	30,421	36,296
Charlestown City Court Nonreverting Fund	7,075	3,150	1,000	9,225
EDIT Fund	342,429	214,245	30,114	526,560
Economic Development Reuse Authority	189	43,529	-	43,718
Beautification Fund	10,707	98,430	66,742	42,395
Mayor's Christmas Awards Dinner	907	-	425	482
Sanitation	(66,248)	66,263	-	15
Pleasant Ridge Revitalization	3,095	-	-	3,095
Proprietary Funds:				
Water Utility - Operating	1,626,013	960,171	2,531,807	54,377
Water Utility - Bond and Interest	-	131,130	140,203	(9,073)
Water Utility - Debt Service Reserve	-	37,550	-	37,550
Water Utility - Construction (Plant)	-	14,625	129,593	(114,968)
Water Utility - Construction (Tank)	-	1,449,299	1,109,621	339,678
Water Utility - Customer Deposit	53,256	11,946	9,637	55,565
Wastewater Utility - Operating	1,154,636	1,308,604	1,948,594	514,646
Wastewater Utility - Bond and Interest	125,594	427,212	422,209	130,597
Wastewater Utility - Debt Service Reserve	187,720	60,720	-	248,440
Wastewater Utility - Construction (HVLV)	-	913,074	1,137,664	(224,590)
Wastewater Utility - Construction (2005 Bond)	-	68,033	75,540	(7,507)
Fiduciary Funds:				
Police Pension	87,946	51,548	87,967	51,527
Payroll	24,738	1,861,520	1,864,349	21,909
User Fee Fund	3,796	17,380	14,376	6,800
City Court	18,456	81,003	77,431	22,028
Totals	<u>\$ 5,633,690</u>	<u>\$ 12,389,795</u>	<u>\$ 15,178,847</u>	<u>\$ 2,844,638</u>

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

CITY OF CHARLESTOWN
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highway and streets, sanitation, culture and recreation, economic development, public improvements, planning and zoning, general administrative services, water and wastewater 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.

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 CHARLESTOWN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plans

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

1. 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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF.

2. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

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

CITY OF CHARLESTOWN
NOTES TO FINANCIAL INFORMATION
(Continued)

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

CITY OF CHARLESTOWN
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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 (those reported by governmental activities) are included regardless of their acquisition date or amount. 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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 164,870
Infrastructure	8,199,445
Buildings	587,984
Improvements other than buildings	75,949
Machinery and equipment	<u>2,103,340</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 11,131,588</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets	
Land	\$ 2,725
Buildings	8,995
Improvements other than buildings	6,644,018
Machinery and equipment	<u>419,734</u>
Total Water Utility capital assets	<u>7,075,472</u>
Wastewater Utility:	
Capital assets	
Land	74,559
Buildings	2,928,683
Improvements other than buildings	4,650,115
Machinery and equipment	<u>2,189,039</u>
Total Wastewater Utility capital assets	<u>9,842,396</u>
Total business-type activities capital assets	<u>\$ 16,917,868</u>

CITY OF CHARLESTOWN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Lighting loader	\$ 43,176	\$ 15,627
Side loader	93,029	33,351
Notes and loans payable:		
Trash containers	36,905	38,222
Bonds payable:		
Revenue bonds:		
2006 TIF bonds industrial park waterworks improvements	<u>580,000</u>	<u>42,374</u>
Total governmental activities debt	<u>\$ 753,110</u>	<u>\$ 129,574</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
2006 Water construction	<u>\$ 1,805,000</u>	<u>\$ 38,189</u>
Wastewater Utility		
Revenue bonds:		
1993 Wastewater refunding	705,000	105,360
2005 Wastewater construction	<u>3,895,000</u>	<u>206,055</u>
Total Wastewater Utility	<u>4,600,000</u>	<u>311,415</u>
Total business-type activities debt	<u>\$ 6,405,000</u>	<u>\$ 349,604</u>

CITY OF CHARLESTOWN
EXAMINATION RESULTS AND COMMENTS

FAILURE TO DEPOSIT TIMELY (Applies to Clerk Treasurer)

The City redeemed an investment in the amount of \$1,042,126.84 on October 26, 2007. Prior to redemption, City officials requested that the bank make two checks payable to the City for the cashed Certificate of Deposit in the amount of \$400,000 and \$642,126.84. Once received, the check in the amount of \$400,000 was properly receipted and deposited as required. The remaining check amount of \$642,126.84 was not deposited timely but instead placed in the City's safe and held for twenty (20) days prior to receipt and deposit.

Officials stated that tax revenues had not been distributed by the County and the check was being held until they received information as to possible distribution dates. If distributions were to be received soon then officials intended to reinvest the held check amount.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

OVERDRAWN FUND BALANCES (Applies to Clerk Treasurer)

The following funds had overdrawn cash balances as of December 31, 2007:

Water Utility - Bond and Interest	\$ 9,073
Water Utility - Construction (Plant)	114,968
Wastewater Utility - Construction (HVLV)	224,590
Wastewater Utility - Construction (2005 Bond)	7,507

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SANITATION CHARGES (Applies to Board of Works)

Ordinance 2005-OR-21, adopted January 9, 2006, establishes a fee for solid waste pickup services to City residents. The ordinance establishes only one monthly customer rate of \$10.50. However, commercial users are charged \$15 per month for this service.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF CHARLESTOWN
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2008, with Donna Coomer, Clerk-Treasurer; and G. Robert Hall, Mayor. The official response has been made a part of this report and may be found on page 12.

City of Charlestown
Donna Coomer
Clerk Treasurer
304 Main Cross Street
Charlestown, In 47111
812-256-7126

October 30, 2008

State Board of Accounts
Ron Robertson
348 Muriel Drive
Scottsburg, In 47170

Dear Sarah,

Thank you for giving us the opportunity to respond to our 2007 audit.

#1. Failure to deposit in a timely manner

The reason why the check was held for twenty days was due to the deputy clerk treasurer leaving early on emergency maternity leave. Her work was allocated to other staff which resulted in the brief delay.

#2. Overdrawn funds in water and wastewater

This was a Board of Public Works and Common Council construction project. The common council, board of public works, financial advisor, Mayor and City Attorney were advised numerous times by myself and my office staff that the money that was allocated had never been received. It was to come from Bonds, Lakeview Highview residence, etc. But, this project failed and hundreds of thousands of dollars of claims were approved for payment from the board of public works and common council. Claims were paid from the wastewater fund.

Sincerely,
Donna Coomer
Clerk Treasurer
City of Charlestown