

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
TOWN OF GEORGETOWN  
FLOYD COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
7/21/06



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Douglas E. Cook	01-01-04 to 12-31-07
President of the Town Council	Jeffrey K. McCaffrey	01-01-04 to 12-31-04
	Gary L. Smith	01-01-05 to 12-31-06
Town Manager	Vacant	01-01-04 to 01-31-04
	Kenton G. Griffin	02-01-04 to 12-31-06



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF GEORGETOWN, FLOYD COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Georgetown (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 14, 2006

TOWN OF GEORGETOWN  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments		Cash and Investments	
	01-01-04	Receipts	Disbursements	12-31-04
<b>Governmental Funds:</b>				
General	\$ 161,125	\$ 741,036	\$ 800,281	\$ 101,880
Motor Vehicle Highway	82,107	71,228	113,969	39,366
Local Road and Street	47,097	33,573	75,127	5,543
Park and Recreation	1,205	-	-	1,205
Rainy Day	-	16,221	-	16,221
Law Enforcement Continuing Education	713	1,116	1,630	199
Riverboat	784,457	127,736	458,233	453,960
Operation Pullover	(8)	8	-	-
DUI	931	-	-	931
Forfeiture	(10)	10	-	-
Indiana Law Enforcement Assistance	(5,663)	5,663	-	-
Cumulative Capital Improvement	49,971	8,311	13,396	44,886
Economic Development Income Tax	160,508	143,658	119,123	185,043
<b>Proprietary Funds:</b>				
Water Utility - Operating	64,179	1,347,181	1,375,834	35,526
Water Utility - Debt Reserve	46,844	72,681	47,214	72,311
Water Utility - Customer Deposit	75,076	44,000	39,520	79,556
Water Utility - Construction	41,121	3,948	-	45,069
Water Utility - SRF Construction	1,577	-	-	1,577
Wastewater Utility - Operating	552,701	1,198,337	1,286,479	464,559
Wastewater Utility - Bond and Interest	11,869	213,378	176,850	48,397
Wastewater Utility - Debt Reserve	190,000	-	-	190,000
Wastewater Utility - Customer Deposit	23,100	20,029	9,882	33,247
Wastewater Utility - Improvement	30,741	14,073	13	44,801
Sanitation Utility - Operating	-	64,673	58,349	6,324
<b>Fiduciary Fund:</b>				
Payroll	143	520,975	514,385	6,733
<b>Totals</b>	<b>\$ 2,319,784</b>	<b>\$ 4,647,835</b>	<b>\$ 5,090,285</b>	<b>\$ 1,877,334</b>

	Cash and Investments		Cash and Investments	
	01-01-05	Receipts	Disbursements	12-31-05
<b>Governmental Funds:</b>				
General	\$ 101,880	\$ 556,684	\$ 637,717	\$ 20,847
Motor Vehicle Highway	39,366	73,035	113,693	(1,292)
Local Road and Street	5,543	27,668	31,329	1,882
Park and Recreation	1,205	-	1,205	-
Rainy Day	16,221	-	-	16,221
Law Enforcement Continuing Education	199	1,136	1,011	324
Riverboat	453,960	119,774	145,017	428,717
DUI	931	-	-	931
Cumulative Capital Improvement	44,886	11,271	34,737	21,420
Economic Development Income Tax	185,043	140,864	229,880	96,027
<b>Proprietary Funds:</b>				
Water Utility - Operating	35,526	1,524,648	1,511,691	48,483
Water Utility - Bond and Interest	-	117,623	27,792	89,831
Water Utility - Debt Reserve	72,311	23,634	201	95,744
Water Utility - Customer Deposit	79,556	19,721	16,459	82,818
Water Utility - Construction	45,069	43,540	4,600	84,009
Water Utility - SRF Construction	1,577	-	-	1,577
Wastewater Utility - Operating	464,559	906,127	1,085,041	285,645
Wastewater Utility - Bond and Interest	48,397	183,135	178,775	52,757
Wastewater Utility - Debt Reserve	190,000	-	-	190,000
Wastewater Utility - Customer Deposit	33,247	16,091	8,210	41,128
Wastewater Utility - Improvement	44,801	2,332,427	1,570,010	807,218
Sanitation Utility - Operating	6,324	138,572	141,734	3,162
<b>Fiduciary Fund:</b>				
Payroll	6,733	577,785	573,475	11,043
<b>Totals</b>	<b>\$ 1,877,334</b>	<b>\$ 6,813,735</b>	<b>\$ 6,312,577</b>	<b>\$ 2,378,492</b>

TOWN OF GEORGETOWN  
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, sanitation, and urban redevelopment.

Note 2. Fund Accounting

The Town 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 Town 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 Town on or prior to December 31 of the year collected.

TOWN OF GEORGETOWN  
NOTES TO SCHEDULES  
(Continued)

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 Town 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 6. Long-Term Debt

The Town has entered into various debts such as Wastewater Utility Revenue bonds, an SRF loan for the upgrade and expansion of its water system, and a capital lease for equipment. The outstanding principal at December 31, 2005, was \$2,010,000, \$1,420,933, and \$134,503, respectively.

Note 7. Subsequent Event

On March 1, 2005, a settlement was reached through mediation which requires the Town of Georgetown to pay the City of New Albany \$1,948,347 plus \$100,000 to settle related past due wastewater charges. The \$100,000 has been paid to the City of New Albany, and currently the respective Boards of the two governmental entities have agreed to settle the dispute in the amount of \$800,000.

TOWN OF GEORGETOWN  
EXAMINATION RESULTS AND COMMENTS

PROMOTION EXPENSES

The Town paid \$526.04 of promotional expenses from various appropriations in the general fund and \$282.58 from the Motor Vehicle Highway fund. The Town considered these promotional expenses. They included disbursements for a Town Christmas party, employment award plaques and pins, softball shirts, lunches, street banners, and a scholarship. The Town does not have a promotional expense ordinance that allows purchases of this type.

The December 2005 Cities and Towns Bulletin states: "City and town councils are authorized to budget and appropriate funds from the general fund of the city, or town, to pay the expense of or to reimburse city officials or town officials, as the case may be, for expenses incurred in promoting the best interest of the city or town. Such expenses may include, but not necessarily be limited to, rental of meeting places, meals, decorations, memorabilia, awards, expenses incurred in promoting industrial, commercial, and residential development, expenses incurred in developing relations with other units of government and any other expenses of a civic or governmental nature deemed by the mayor or the town council to be in the interest of the city or town."

Each City and town should establish, by ordinance, the parameters for such appropriations and expenditures. Such ordinance should list the specific types of promotional expenses which can be paid from moneys appropriated for such purpose. Please note that excessive amounts expended for employee meals, awards, gifts and similar expenses could be considered an audit result and comment item in an audit. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2005)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) Claims or invoices did not have evidence to support receipt of goods or services.

Some credit card statements were paid during the audit period with only a credit card slip as supporting documentation for the expenditure. The credit card slip was not itemized. In another instance, a purchase was made over the internet without printing a receipt to identify the item. Upon inquiry, a printed page of the item purchased was produced.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

TOWN OF GEORGETOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CUSTOMER DEPOSIT REGISTER (Water and Wastewater Utilities)

Upon a review of the customer deposit register, we noted the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCE

The cash balance of the Motor Vehicle Highway fund was overdrawn in 2005 by \$1,292.25.

The cash 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)

LOANS BETWEEN TOWN FUNDS

A transfer of \$10,000 was made in the year 2004 from the Motor Vehicle Highway fund to the Local Road and Street fund and was not repaid by the year 2005. An ordinance or a resolution could not be located extending the prescribed period.

A transfer of \$50,000 was made in the year 2005 from the Economic Development Income Tax (EDIT) fund to the General fund. The Town approved a resolution transferring the funds with the intent that this was a one time gift not to be repaid. Transfers to depleted funds are allowed for cash flow purposes, however, these transfers must be returned to the other fund. The period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurred. EDIT funds may be used for any lawful purpose for which money in any of its other funds may be used, i.e., gifts to other funds are not allowed.

A temporary loan of \$100,000 was made from the Riverboat fund to the General fund in the year 2004 and was not repaid during the 2005 budget year, nor was a resolution approved extending the period of repayment. The Town Council passed a resolution stating that they identify that the cash flow in the General fund is so minimal this time of year that it has previously loaned the General fund monies from the Riverboat fund and because this is an annual transfer to make the General fund solvent, \$100,000 from the Riverboat fund is to be granted as a one time gift to the General fund effective January 2, 2006.

TOWN OF GEORGETOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Expenditures of this nature from the EDIT fund and Riverboat fund are lawful, however, transfers must be returned to the fund at the end of the prescribed period.

Indiana Code 36-1-8-4 concerning temporary loans states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.
  - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

Indiana Code 6-3.5-7-13.1 states in part: "Economic development income tax funds; deposits; uses, . . . (3) By a county, city or town for any lawful purpose for which money in any of its other funds may be used. . . ."

Indiana Code 4-33-13-6 concerning Riverboat funds states in part: ". . . (3) may be used for any legal or corporate purpose of the unit, . . ."

TEMPORARY LOAN - UTILITY (Sanitation Utility)

The Town Council passed a resolution authorizing the moving of monies from the Economic Development Income Tax fund (EDIT) to the Sanitation enterprise fund for fiscal year 2005 due to unexpected expenses. During the year 2005, the EDIT fund transferred \$5,800 to the Sanitation enterprise fund. The resolution did not identify the term of the loan. The monies were not returned to the EDIT fund during the budget year 2005, nor was an emergency declared extending the repayment.

Since the temporary loan provisions of Indiana Code 36-1-8-4 would not apply to funds of a municipally owned utility and there are no statutes authorizing or prohibiting loans from a city or town fund to a municipally owned utility, a home rule ordinance could be adopted authorizing such loans. Such ordinance should list the amount and term of the loan and interest rate, if interest is to be charged.

Please note that recurring cash flow problems experienced by a municipally owned utility could indicate a need for an increase in utility rates. Indiana Code 8-1.5-3-8 and Indiana Code 36-9-23-25 require the boards over municipally owned utilities and wastewater utilities to set rates in an amount which will ensure sound fiscal condition for the utilities. (Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2001)

TOWN OF GEORGETOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

APPROPRIATIONS

The records presented for audit indicated the following expenditures were in excess of budgeted appropriations:

Fund	Excess Amount Expended	
	Year 2004	Year 2005
General	\$ 29,415	\$ 6,312
Local Road and Street	23,097	2,190
Motor Vehicle Highway	4,493	1,293
Cumulative Capital Improvement	897	-
Law Enforcement Continuing Education	76	-

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CAPITAL ASSET RECORDS

Information presented for audit indicates the Utilities do not maintain sufficient detailed records of capital assets. Records providing historical costs for some of the Utilities capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Dates of deletions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger, City and Town Form 211, or properly approved form, as applicable. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GEORGETOWN  
EXIT CONFERENCE

The contents of this report were discussed on June 15, 2006, with Gary L. Smith, President of the Town Council; and Douglas E. Cook, Clerk-Treasurer. The officials concurred with our findings.