

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

EXAMINATION REPORT
OF
TOWN OF GEORGETOWN
FLOYD COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
10/31/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-7
Supplementary Information:	
Schedule of Capital Assets.....	8
Schedule of Long-Term Debt	9
Examination Results and Comments:	
Overdrawn Cash Balances.....	10
Appropriations.....	10
Police Department Receipts and Fees	10
Capital Asset Records	10
Purchase of Land for Wastewater Treatment Plant	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Douglas E. Cook	01-01-04 to 12-31-11
President of the Town Council	Gary L. Smith Billy W. Stewart	01-01-06 to 12-31-07 01-01-08 to 12-31-08
Town Manager	Kenton G. Griffin Position dissolved	01-01-06 to 12-31-07
Public Works Director	Jimmy D. Reynolds	01-01-08 to 12-31-08



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 financial information presented herein of the Town of Georgetown (Town), for the period of January 1, 2006 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 years ended December 31, 2006 and 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

September 18, 2008

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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 20,847	\$ 527,865	\$ 487,434	\$ 61,278
Motor Vehicle Highway	(1,292)	96,085	66,799	27,994
Local Road and Street	1,882	27,413	25,035	4,260
Park and Recreation	-	10,843	8,125	2,718
Rainy Day	16,221	-	4,588	11,633
Law Enforcement Continuing Education	324	1,591	1,307	608
Riverboat	428,717	186,168	347,467	267,418
Drug Enforcement Continuing Education	-	1,600	-	1,600
DUI	931	-	-	931
Cumulative Capital Improvement	21,420	7,956	10,054	19,322
Economic Development Income Tax	96,027	42,902	90,374	48,555
Proprietary Funds:				
Water Utility - Operating	48,483	854,747	870,206	33,024
Water Utility - Bond and Interest	89,831	118,416	115,337	92,910
Water Utility - Debt Reserve	95,744	26,264	244	121,764
Water Utility - Customer Deposit	82,818	14,219	17,364	79,673
Water Utility - Construction	84,009	100,184	2,300	181,893
Water Utility - SRF Construction	1,577	-	-	1,577
Wastewater Utility - Operating	285,645	1,023,172	1,187,416	121,401
Wastewater Utility - Bond and Interest	52,757	184,856	180,363	57,250
Wastewater Utility - Debt Reserve	190,000	-	-	190,000
Wastewater Utility - Customer Deposit	41,128	20,060	10,182	51,006
Wastewater Utility - Improvement	807,218	478,735	1,230,229	55,724
Sanitation Utility - Operating	3,162	136,993	147,351	(7,196)
Storm Water Utility - Operating	-	3,978	12,222	(8,244)
Broadband Utility - Operating	-	202,125	16,609	185,516
Broadband Utility - Customer Deposit	-	1,250	-	1,250
Fiduciary Fund:				
Payroll	11,043	630,692	633,701	8,034
Totals	\$ 2,378,492	\$ 4,698,114	\$ 5,464,707	\$ 1,611,899

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 61,278	\$ 547,499	\$ 527,984	\$ 80,793
Motor Vehicle Highway	27,994	83,491	109,655	1,830
Local Road and Street	4,260	30,168	22,530	11,898
Park and Recreation	2,718	15,586	17,559	745
Rainy Day	11,633	75,953	43,000	44,586
Law Enforcement Continuing Education	608	3,124	1,800	1,932
Riverboat	267,418	64,043	78,863	252,598
Drug Enforcement Continuing Education	1,600	-	249	1,351
DUI	931	-	-	931
Cumulative Capital Improvement	19,322	7,822	18,000	9,144
Economic Development Income Tax	48,555	41,191	79,241	10,505
Proprietary Funds:				
Water Utility - Operating	33,024	732,196	740,534	24,686
Water Utility - Bond and Interest	92,910	118,533	114,928	96,515
Water Utility - Debt Reserve	121,764	2,230	4,959	119,035
Water Utility - Customer Deposit	79,673	14,987	10,723	83,937
Water Utility - Construction	181,893	104,509	194,906	91,496
Water Utility - SRF Construction	1,577	-	-	1,577
Wastewater Utility - Operating	121,401	1,111,317	1,082,327	150,391
Wastewater Utility - Bond and Interest	57,250	350,913	253,595	154,568
Wastewater Utility - Debt Reserve	190,000	-	5,510	184,490
Wastewater Utility - Customer Deposit	51,006	21,736	14,634	58,108
Wastewater Utility - Improvement	55,724	205,274	202,285	58,713
Wastewater Utility - Bond Refinance Overage	-	9,824	-	9,824
Sanitation Utility - Operating	(7,196)	163,396	177,881	(21,681)
Storm Water Utility - Operating	(8,244)	13,442	2,973	2,225
Broadband Utility - Operating	185,516	27,627	152,667	60,476
Broadband Utility - Customer Deposit	1,250	7,600	4,750	4,100
Fiduciary Fund:				
Payroll	8,034	672,009	670,288	9,755
Totals	\$ 1,611,899	\$ 4,424,470	\$ 4,531,841	\$ 1,504,528

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

TOWN OF GEORGETOWN
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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.

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.

TOWN OF GEORGETOWN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Wastewater Treatment, Transportation, and Disposal Service Agreement

The Town has an agreement with the City of New Albany, dated March 1, 2005, in which the City of New Albany will provide wastewater treatment, transportation, and disposal services to the Town. The term of the contract is for 21 years and provides compensation to the City of New Albany at rates no greater than those charged upon New Albany's customers inside the corporate limits.

The Town of Georgetown desires to construct its own wastewater treatment plant and has requested from the City of New Albany an early termination of the contract, with the provision that it continues to receive services under the original agreement until the treatment plant is completed and operational. On July 20, 2006, the City of New Albany agreed and the contract was amended to provide for the request.

The amendment provides that the original agreement shall remain in effect for up to 30 months, allowing the Town time to construct the treatment plant. During these 30 months the rates charged to Georgetown shall remain the same as outlined in the original agreement. The amendment provides that in the event that upon expiration of the thirty month term, Georgetown has not completed and/or made operational its new treatment plant, then the following provisions shall apply thereafter:

- (1) Rates and charges shall be amended to reflect Georgetown being considered as a customer outside of New Albany's corporate boundaries.
- (2) The Town shall assess, collect, and pay over to New Albany connection fees for each new connection to the Georgetown system at rates established by New Albany for new connections outside the City boundaries.
- (3) In the event that Georgetown has either not commenced construction of its treatment plant, or has commenced construction but not completed construction within four years after the date of the amendment, then Georgetown shall pay to New Albany the additional sum of \$450,000. Provisions of the amendment provides for this additional amount to be waived should Georgetown be utilizing reasonable efforts to construct but is being prevented by court order or by third party challenging such efforts.

Note 7. Debt Refunding

On May 22, 2007, the Town of Georgetown issued \$2,055,000 in sewage works refunding revenue bonds with an average rate of 4.20% for the current refunding of \$1,935,000 of outstanding 1998 Sewage works refunding revenue bonds with an average interest rate of 5.44%. The net proceeds of \$2,005,312 (after payment \$34,648 of bond issue costs, \$20,550 in bond discount costs, and \$184,490 for debt service reserve) and local contribution of \$190,000 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 series bonds. The 1998 series bonds were redeemed on July 1, 2007. As a result, these bonds are considered to be defeased and are no longer a debt obligation of the Town. The Town in effect decreased its aggregate debt service payments by \$115,392 over the next 15 years and realized an economic gain (difference between the present values of the old debt and the new debt service payments) of \$81,827.

TOWN OF GEORGETOWN
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 8. Pending Revenue Bond Issue

On July 10, 2006, the Town Council approved Ordinance GO6-26 authorizing the issue of sewage works revenue bonds in an amount not to exceed \$2,500,000. The bond issue is to be used to finance the costs associated with the construction of a wastewater treatment plant. As of September 18, 2008, these bonds have not been issued and are pending until a site location has been properly approved. An estimated issue date cannot be determined at this time.

Note 9. Termination of Broadband Service Provider Contract

On November 28, 2006, the Town of Georgetown entered into a contract with Discernity, LLC, (provider), to provide broadband internet service, equipment, support and maintenance for the Georgetown Broadband Utility. The contract was for a five year period and required the Town to pay to the provider a monthly subscription rate of \$8,300 for a total contract price of \$498,000. During 2006, the Town made monthly payments totaling \$16,600 and then ceased making payments after contract disputes could not be resolved. On June 10, 2008, the Town entered into a mutual release and settlement agreement with the provider to terminate the contract. The agreement required the Town to pay the provider a settlement amount of \$95,048.28. The Town paid the settlement on July 2, 2008.

TOWN OF GEORGETOWN
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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 8,000
Buildings	249,624
Improvements other than buildings	6,718
Machinery and equipment	<u>704,884</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 969,226</u>

TOWN OF GEORGETOWN
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Backhoe	\$ 34,243	\$ 12,808
Business-type Activities:		
Water Utility		
Notes and loans payable:		
2001 State revolving loan	\$ 1,296,933	\$ 115,293
Wastewater Utility		
Notes and loans payable:		
2006 Amended bond anticipation note	327,139	148,568
Revenue bonds:		
2007 Wastewater bond refunding	1,940,000	169,590
Total Wastewater Utility	2,267,139	318,158
Broadband Utility:		
Capital leases:		
Subscriber units	27,611	7,358
Notes and loans payable		
Start up loan	200,000	200,667
Total Broadband Utility	227,611	208,025
Total business-type activities debt:	\$ 3,791,683	\$ 641,476

TOWN OF GEORGETOWN
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn:

<u>Fund</u>	<u>2006</u>	<u>2007</u>
Sanitation Utility - Operating	\$ 7,196	\$ 21,681
Storm Water Utility - Operating	8,244	-

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)

APPROPRIATIONS

The records presented for examination indicated that the expenditures for the Park and Recreation Fund exceeded budgeted appropriation by \$8,125 and \$17,599 for the years 2006 and 2007, respectively.

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."

POLICE DEPARTMENT RECEIPTS AND FEES

Instances were noted in which receipts and fees collected by the Police Department were not remitted to the Clerk-Treasurer until 12 to 28 days after the date of collection.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

CAPITAL ASSET RECORDS

Information presented for examination 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. 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 on the applicable Capital Asset Ledger. 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
EXAMINATION RESULTS AND COMMENTS
(Continued)

PURCHASE OF LAND FOR WASTEWATER TREATMENT PLANT

On February 24, 2006, the Town of Georgetown entered into a purchase agreement for the purchase of 24.3 acres to be used as the site for a proposed new wastewater treatment plant. The agreement called for a purchase price of \$350,000, contingent upon the property appraising for the offering price or higher. Subsequent to entering into the purchase agreement the Town obtained two separate appraisals. The two appraisals dated March 1, 2006, and March 7, 2006, indicated a fair market value of the land at \$350,000 and \$357,000, respectively. On March 16, 2006, the Town Council passed Resolution 06-02 acknowledging the appraisals and authorizing the offer to purchase the property for \$350,000. On April 3, 2006, the Town Council approved Resolution 06-03 authorizing the purchase of the property for \$350,000. Both resolutions authorizing the offer and purchase of the property were approved after a signed purchase agreement had already been entered into.

The Town failed to follow the required procedures in purchasing the land. Prior to entering into a purchase agreement, the Town should have first passed a resolution indicating their interest in purchasing the land. Additionally, the two appraisals should have been obtained prior to making an offer or entering into the purchase agreement in order to determine the fair market value and determine an allowable purchase price.

Indiana Code 36-1-10.5-5 states:

"A purchasing agent shall purchase land or a structure only after compliance with the following procedures:

- (1) The fiscal body of the political subdivision shall pass a resolution to the effect that it is interested in making a purchase of specified land or a structure.
- (2) The purchasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure. The appraisers must be professionally engaged in making appraisals or be trained as an appraiser and licensed as a broker under IC 25-34.1.
- (3) The appraisers shall return their separate appraisals to the purchasing agent within thirty (30) days after the date of their appointment. The purchasing agent shall keep the appraisals on file in the purchasing agent's office for five (5) years after they are given to the purchasing agent.
- (4) The purchasing agent shall give a copy of both appraisals to the fiscal body."

Indiana Code 36-1-10.5-6 states in part:

"A purchasing agent may not purchase land or structure for a price greater than the average of the two (2) appraisals . . ."

TOWN OF GEORGETOWN
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2008, with Billy W. Stewart, President of the Town Council; Douglas E. Cook, Clerk-Treasurer; Kimberly Sweet, Chief Deputy Clerk-Treasurer; and Everett C. Pullen, Town Council member. The officials concurred with our findings.