

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

EXAMINATION REPORT

OF

TOWN OF NASHVILLE

BROWN COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Brenda K. Young

01-01-06 to 12-31-11

President of the
Town Council

Roger D. Kelso

01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NASHVILLE, BROWN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Nashville (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

November 26, 2008

TOWN OF NASHVILLE
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 | \$ 11,551 | \$ 1,025,482 | \$ 1,144,116 | \$ (107,083) |
| Motor Vehicle Highway | 8,602 | 264,957 | 288,051 | (14,492) |
| Local Road and Street | 43,134 | 40,442 | 35,000 | 48,576 |
| Traffic Fines | 6,566 | 4,360 | 5,577 | 5,349 |
| Law Enforcement Continuing Education | 2,778 | 1,452 | 2,310 | 1,920 |
| Dog Licenses | 127 | 195 | - | 322 |
| Restroom Donations | 135 | - | - | 135 |
| Overtime DUI | 1,841 | - | 1,701 | 140 |
| NPD Drug | 2,144 | 295 | - | 2,439 |
| Food and Beverage Tax | 113,391 | 251,922 | 222,703 | 142,610 |
| Economic Development Income Tax | 185,538 | 200,183 | 208,993 | 176,728 |
| Flag Donation | 442 | - | 425 | 17 |
| Riverboat | 7,698 | 7,000 | 7,756 | 6,942 |
| Main Street Donation | 32,699 | 511,628 | 544,277 | 50 |
| Law Enforcement Liaison Grant | 15,343 | 45,000 | 51,089 | 9,254 |
| EDIT - Lease Rental | - | 34,110 | 34,110 | - |
| EDIT - Lease Rental Reserve | 45,000 | - | - | 45,000 |
| Cumulative Capital Improvement | 42,474 | 42,947 | 40,000 | 45,421 |
| Cumulative Capital Development | 73,836 | 76,416 | 60,105 | 90,147 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 69,028 | 737,968 | 748,190 | 58,806 |
| Water Utility - Bond and Interest | 90,740 | 90,835 | 90,788 | 90,787 |
| Water Utility - Depreciation | 4,968 | - | - | 4,968 |
| Water Utility - Customer Deposit | 60,748 | 7,550 | 5,250 | 63,048 |
| Water Utility - Reserve | 90,788 | 90,000 | 90,000 | 90,788 |
| Wastewater Utility - Operating | 68,058 | 514,252 | 556,217 | 26,093 |
| Wastewater Utility - Bond and Interest | 61,225 | 61,150 | 61,125 | 61,250 |
| Wastewater Utility - Reserve | 31,610 | 36,115 | 30,000 | 37,725 |
| Fiduciary Fund: | | | | |
| Payroll | 4,034 | 208,749 | 204,508 | 8,275 |
| Totals | <u>\$ 1,074,498</u> | <u>\$ 4,253,008</u> | <u>\$ 4,432,291</u> | <u>\$ 895,215</u> |

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ (107,083) | \$ 578,036 | \$ 433,440 | \$ 37,513 |
| Motor Vehicle Highway | (14,492) | 175,505 | 122,379 | 38,634 |
| Local Road and Street | 48,576 | 5,532 | 28,033 | 26,075 |
| Traffic Fines | 5,349 | 5,678 | 5,996 | 5,031 |
| Law Enforcement Continuing Education | 1,920 | 1,577 | 2,110 | 1,387 |
| Dog Licenses | 322 | 95 | 161 | 256 |
| Restroom Donations | 135 | - | - | 135 |
| Overtime DUI | 140 | 2,730 | 2,084 | 786 |
| NPD Drug | 2,439 | 2,638 | 2,511 | 2,566 |
| Food and Beverage Tax | 142,610 | 139,750 | 98,009 | 184,351 |
| Economic Development Income Tax | 176,728 | 55,611 | 114,757 | 117,582 |
| Flag Donation | 17 | - | - | 17 |
| Riverboat | 6,942 | 15,596 | 3,141 | 19,397 |
| Main Street Donation | 50 | 950 | 783 | 217 |
| Law Enforcement Liaison Grant | 9,254 | - | 9,125 | 129 |
| EDIT - Lease Rental | - | 35,213 | 35,213 | - |
| EDIT - Lease Rental Reserve | 45,000 | - | - | 45,000 |
| DUI Task Force | - | 1,665 | 1,665 | - |
| Grant EDS | - | 774 | 630 | 144 |
| Cumulative Capital Improvement | 45,421 | 2,898 | 16,432 | 31,887 |
| Cumulative Capital Development | 90,147 | 9,299 | 5,720 | 93,726 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 58,806 | 929,031 | 891,539 | 96,298 |
| Water Utility - Bond and Interest | 90,787 | 90,788 | 90,785 | 90,790 |
| Water Utility - Depreciation | 4,968 | 6,000 | - | 10,968 |
| Water Utility - Customer Deposit | 63,048 | 8,950 | 6,088 | 65,910 |
| Water Utility - Reserve | 90,788 | - | - | 90,788 |
| Wastewater Utility - Operating | 26,093 | 620,264 | 559,931 | 86,426 |
| Wastewater Utility - Bond and Interest | 61,250 | 61,150 | 60,675 | 61,725 |
| Wastewater Utility - Depreciation | - | 6,000 | - | 6,000 |
| Wastewater Utility - Reserve | 37,725 | 6,115 | - | 43,840 |
| Fiduciary Fund: | | | | |
| Payroll | 8,275 | 200,066 | 194,074 | 14,267 |
| Totals | <u>\$ 895,215</u> | <u>\$ 2,961,911</u> | <u>\$ 2,685,281</u> | <u>\$ 1,171,845</u> |

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

TOWN OF NASHVILLE
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, highways and streets, public improvements, planning and zoning, general administrative services, water and wastewater.

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. However, Brown County is behind in billing and collecting taxes due to the 2002 reassessment. Property taxes for 2005 payable 2006 were not settled until August 2007. Property taxes for 2006 payable 2007 were billed and mailed to taxpayers with a due date of December 1, 2008.

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 NASHVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town 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 Town 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. Subsequent Events

The Town of Nashville Water Utility entered into a promissory note with Peoples State Bank on July 9, 2008, in the amount of \$84,800. The purpose of this loan is for engineering fees and repair work on the Town's water tank.

The Town of Nashville entered into Tax Anticipation Loans with Peoples State Bank on September 20, 2008, in the amounts of \$395,000 and \$86,000, respectively, for the Motor Vehicle Highway Fund and the General Fund.

TOWN OF NASHVILLE
 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 | \$ 414,395 |
| Infrastructure | 106,586 |
| Buildings | 700,000 |
| Machinery and equipment | <u>228,191</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 1,449,172</u> |

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Business-type activities: | |
| Water Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 2,000 |
| Buildings | 5,500 |
| Improvements other than buildings | 2,481,103 |
| Machinery and equipment | <u>68,042</u> |
| Total Water Utility capital assets | <u>2,556,645</u> |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Land | 22,500 |
| Buildings | 103,094 |
| Improvements other than buildings | 2,181,465 |
| Machinery and equipment | <u>158,809</u> |
| Total Wastewater Utility capital assets | <u>2,465,868</u> |
| Total business-type activities capital assets | <u>\$ 5,022,513</u> |

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

The Unitttype has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|---|--------------------------------|---|
| Governmental Activities: | | |
| Capital lease: | | |
| Town Hall Building | \$ 106,502 | \$ 35,213 |
| Total governmental activities debt | <u>\$ 106,502</u> | <u>\$ 35,213</u> |
| Business-type Activities: | | |
| Water Utility | | |
| Revenue bonds: | | |
| 1968 Improvements, Additions and Extensions | \$ 32,946 | \$ 24,800 |
| 1977 Improvements, Additions and Extensions | 256,000 | 33,800 |
| 1995 Improvements, Additions and Extensions | <u>593,000</u> | <u>32,133</u> |
| Total Water Utility | <u>881,946</u> | <u>90,733</u> |
| Wastewater Utility | | |
| Revenue bonds: | | |
| 1973 Improvements and Extensions | 27,000 | 5,350 |
| 1987 Improvements and Extensions | 546,000 | 54,300 |
| 1989 Improvements and Extensions | <u>11,000</u> | <u>1,550</u> |
| Total Wastewater Utility | <u>584,000</u> | <u>61,200</u> |
| Total business-type activities debt: | <u>\$ 1,465,946</u> | <u>\$ 151,933</u> |

TOWN OF NASHVILLE
EXAMINATION RESULT AND COMMENT

OVERDRAWN FUND BALANCES

The General Fund and Motor Vehicle Highway Fund were overdrawn in 2006.

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)

TOWN OF NASHVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2008, with Brenda K. Young, Clerk-Treasurer. The official response has been made a part of this report and may be found on page 11.

Town of Nashville
Office of the Clerk-Treasurer

200 Commercial Street • PO Box 446
Nashville, Indiana 47448
812-988-7064 • Fax 812-988-5527

December 29, 2008

Bruce A. Hartman, CPA, State Examiner
State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

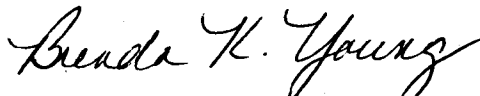
Re: Town of Nashville Official Response to Examination Results and Comments

Mr. Hartman,

The Town of Nashville has been placed in a very difficult financial position due to the extended delay in property tax reassessment in Brown County. This unique situation has caused the town to take numerous measures to reduce budgets, issue tax anticipation loans to the highest amount allowed by law and transfer funds from within. We are fully aware of our financial status and we have been respectively cutting our expenses to be able to stay within each budget even though the budget orders were not received within the year of the expenses. The town is still waiting on tax revenues for the year 2006 payable 2007 as of this date. The budget order for the year 2007 was received by the town on 10-31-08. The town has not received a budget order for the year 2008 to date. We will continually watch our budgets and will always strive to stay within the budgeted amounts.

All ordinances and resolutions concerning the measures the town has taken to rectify the unique financial status are on file in the office of the Clerk-Treasurer and are accessible on the town's website at www.townofnashville.org.

Sincerely,



Brenda K. Young, IAMC, MMC
Clerk-Treasurer

cc: Charlie Pride, State Board of Accounts
Nashville Town Council