

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

EXAMINATION REPORT

OF

TOWN OF MOUNT ETNA

HUNTINGTON COUNTY, INDIANA

January 1, 2004 to December 31, 2005



**FILED**  
09/26/2006



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedules .....	5
Examination Results and Comments:	
Compensation and Benefits.....	6
Condition of Records .....	6
Exit Conference.....	7

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Erica Dorsett	01-01-04 to 12-31-07
President of the Town Council	Ronald Hamblen	01-01-04 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

---

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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 TOWN OF MOUNT ETNA, HUNTINGTON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Mount Etna (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

August 28, 2006

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

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
<b>Governmental Funds:</b>				
General	\$ 5,146	\$ 6,756	\$ 4,966	\$ 6,936
Motor Vehicle Highway	737	3,491	1,878	2,350
Local Road and Street	5,144	974	-	6,118
Fire Protection	983	600	525	1,058
Rainy Day	-	870	-	870
Build Indiana	-	6,249	6,249	-
Cumulative Capital Improvement	1,644	410	-	2,054
Economic Development Income Tax	14,236	4,144	3,889	14,491
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	10,279	34,896	27,807	17,368
Wastewater Utility - Bond and Interest	3,072	5,040	4,532	3,580
Wastewater Utility - Depreciation	10,660	2,040	-	12,700
Wastewater Utility - Debt Service Reserve	6,000	600	-	6,600
Wastewater Utility - Construction	3,202	-	-	3,202
<b>Totals</b>	<b>\$ 61,103</b>	<b>\$ 66,070</b>	<b>\$ 49,846</b>	<b>\$ 77,327</b>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 6,936	\$ 7,095	\$ 8,001	\$ 6,030
Motor Vehicle Highway	2,350	3,414	2,203	3,561
Local Road and Street	6,118	975	-	7,093
Fire Protection	1,058	600	547	1,111
Levy Excess	-	265	-	265
Rainy Day	870	-	-	870
Cumulative Capital Improvement	2,054	340	900	1,494
Economic Development Income Tax	14,491	3,937	4,100	14,328
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	17,368	29,438	32,152	14,654
Wastewater Utility - Bond and Interest	3,580	5,040	4,487	4,133
Wastewater Utility - Depreciation	12,700	2,040	3,775	10,965
Wastewater Utility - Debt Service Reserve	6,600	600	-	7,200
Wastewater Utility - Construction	3,202	-	-	3,202
<b>Totals</b>	<b>\$ 77,327</b>	<b>\$ 53,744</b>	<b>\$ 56,165</b>	<b>\$ 74,906</b>

The accompanying notes are an integral part of the schedules.

TOWN OF MOUNT ETNA  
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: highways and streets, public improvements, general administrative services, 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. 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.

Note 6. Long-Term Debt

The Town has entered into debt for revenue bonds for wastewater construction. The outstanding principal at December 31, 2005, was \$77,000.

TOWN OF MOUNT ETNA  
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Compensation received by the Clerk-Treasurer and members of the Town Council during the audit period was not included on a salary ordinance. Compensation rates were only noted in the Town Council minutes. The actual compensation received by the officials was less than what was stated in the Town Council minutes. A similar comment was in prior Audit Report B23488.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The amounts reported as cash collections in various financial records presented for audit of the Wastewater Utility were inaccurate. Cash receipts per the reconciled simplified cash journal were in excess of the cash receipts recorded in the register of daily cash collections and consumer's ledger. A similar comment was in prior Audit Report B23488.

At all times, the manual and/or 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)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MOUNT ETNA  
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2006, with Erica Dorsett, Clerk-Treasurer; and Ronald Hamblen, President of the Town Council. The officials concurred with our findings.