

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

EXAMINATION REPORT
OF
TOWN OF MOUNT ETNA
HUNTINGTON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
10/30/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Erica Dorsett	01-01-04 to 12-31-11
President of the Town Council	Ronald Hamblen	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MOUNT ETNA, HUNTINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Mount Etna (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 the 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 15, 2008

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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 6,030	\$ 5,626	\$ 7,205	\$ 4,451
Motor Vehicle Highway	3,561	3,345	2,672	4,234
Local Road and Street	7,093	951	-	8,044
Fire Protection	1,111	600	540	1,171
Levy Excess	265	-	265	-
Rainy Day	870	-	870	-
Cumulative Capital Improvement	1,494	393	-	1,887
Economic Development Income Tax	14,328	4,426	4,219	14,535
Major Moves	-	755	-	755
Proprietary Funds:				
Wastewater Utility - Operating	14,654	32,080	28,050	18,684
Wastewater Utility - Bond and Interest	4,133	5,040	4,443	4,730
Wastewater Utility - Depreciation	10,965	2,040	1,257	11,748
Wastewater Utility - Debt Service Reserve	7,200	600	-	7,800
Wastewater Utility - Construction	3,202	-	-	3,202
Totals	<u>\$ 74,906</u>	<u>\$ 55,856</u>	<u>\$ 49,521</u>	<u>\$ 81,241</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 4,451	\$ 8,789	\$ 7,468	\$ 5,772
Motor Vehicle Highway	4,234	4,772	3,101	5,905
Local Road and Street	8,044	959	450	8,553
Fire Protection	1,171	600	615	1,156
Cumulative Capital Improvement	1,887	387	-	2,274
Economic Development Income Tax	14,535	4,436	100	18,871
Major Moves	755	-	755	-
Proprietary Funds:				
Wastewater Utility - Operating	18,684	35,410	31,490	22,604
Wastewater Utility - Bond and Interest	4,730	5,040	4,397	5,373
Wastewater Utility - Depreciation	11,748	2,040	-	13,788
Wastewater Utility - Debt Service Reserve	7,800	600	-	8,400
Wastewater Utility - Construction	3,202	-	-	3,202
Totals	<u>\$ 81,241</u>	<u>\$ 63,033</u>	<u>\$ 48,376</u>	<u>\$ 95,898</u>

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

TOWN OF MOUNT ETNA
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: 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. Subsequent Event

A wastewater expansion project, estimated not to exceed \$1,701,500, will begin late in 2008. The project will be funded with sewage works revenue bonds, United States Department of Agriculture Rural Development Loans, county economic development income tax funds and local funds.

TOWN OF MOUNT ETNA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 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 completed in the current period will be reported. Retroactive reporting of general infrastructure assets is not required.

	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 28,214
Buildings	44,665
Improvements other than buildings	829,060
Machinery and equipment	<u>6,439</u>
 Total Wastewater Utility capital assets	 <u>\$ 908,378</u>

TOWN OF MOUNT ETNA
 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
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
1998 Wastewater construction	\$ <u>75,000</u>	\$ <u>4,352</u>

TOWN OF MOUNT ETNA
EXAMINATION RESULT AND COMMENT

CONDITION OF UTILITY ACCOUNTS RECEIVABLE RECORDS

The following deficiencies with regard to the utility accounts receivable records were present during the examination period:

1. Numerous consumer ledger sheets were incomplete.
2. Penalties were at times posted as charges, but not added to the consumer's balance owed.
3. Month end account balances were not always calculated accurately.
4. During 2006, cash collections recorded in the simplified cash journal and register of daily cash collections were in excess of the amounts recorded in the consumer's ledger.

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 September 15, 2008, with Erica Dorsett, Clerk-Treasurer; and Ronald Hamblen, President of the Town Council. The officials concurred with our findings.