

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

EXAMINATION REPORT
OF
TOWN OF ELIZABETHTOWN
BARTHOLOMEW COUNTY, INDIANA
January 1, 2008 to December 31, 2010



FILED
06/29/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gail E. Greathouse	01-01-08 to 12-31-11
President of the Town Council	James Kiefner Eric Peery	01-01-08 to 03-07-10 03-08-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ELIZABETHTOWN, BARTHOLOMEW COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Elizabethtown (Town), for the period of January 1, 2008 to December 31, 2010. 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, 2008, 2009, and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 25, 2011

TOWN OF ELIZABETHTOWN
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, 2008, 2009, And 2010

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 18,701	\$ 17,715	\$ 15,074	\$ 21,342
Motor Vehicle Highway	41,042	17,368	3,436	54,974
Local Road and Street	18,232	5,542	18,438	5,336
Cumulative Capital Improvement	1,173	1,271	2,444	-
Proprietary Fund:				
Wastewater Utility - Operating	257,356	132,805	110,820	279,341
Fiduciary Fund:				
Payroll	2,780	21,445	23,675	550
Totals	<u>\$ 339,284</u>	<u>\$ 196,146</u>	<u>\$ 173,887</u>	<u>\$ 361,543</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 21,342	\$ 27,644	\$ 20,155	\$ 28,831
Motor Vehicle Highway	54,974	10,669	16,263	49,380
Local Road and Street	5,336	5,392	3,708	7,020
Cumulative Capital Improvement	-	590	590	-
Proprietary Fund:				
Wastewater Utility - Operating	279,341	105,083	131,549	252,875
Fiduciary Fund:				
Payroll	550	18,364	19,048	(134)
Totals	<u>\$ 361,543</u>	<u>\$ 167,742</u>	<u>\$ 191,313</u>	<u>\$ 337,972</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
General	\$ 28,831	\$ 51,403	\$ 37,059	\$ 43,175
Motor Vehicle Highway	49,380	10,444	13,308	46,516
Local Road and Street	7,020	5,089	6,324	5,785
Cumulative Capital Improvement	-	745	745	-
Proprietary Fund:				
Wastewater Utility - Operating	252,875	92,425	149,621	195,679
Fiduciary Fund:				
Payroll	(134)	18,837	18,802	(99)
Totals	<u>\$ 337,972</u>	<u>\$ 178,943</u>	<u>\$ 225,859</u>	<u>\$ 291,056</u>

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

TOWN OF ELIZABETHTOWN
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, general administrative, and wastewater services.

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 ELIZABETHTOWN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activity:		
Wastewater Utility:		
State Revolving Loan:		
CS 182091 01	\$ 140,500	\$ 20,642

TOWN OF ELIZABETHTOWN
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for examination indicated the following expenditure in excess of budgeted appropriation:

Fund	Year	Excess Amount Expended
Motor Vehicle Highway	2009	\$ 13,201
General	2010	12,764
Motor Vehicle Highway	2010	49
Local Road and Street	2010	4,070

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."

INTEREST ON INVESTMENTS

Interest earned on investments, totaling \$5,026 as of December 31, 2010, was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

As stated in prior reports, in numerous instances, receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CAPITAL ASSET RECORDS

As stated in prior reports, the Town does not maintain capital asset records; therefore, records were not presented for examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. 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 ELIZABETHTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

FUND SOURCES AND USES – POSTING ERRORS

Multiple posting and depositing errors were discovered during the examination period.

The June 30, 2008 and August 15, 2008 property tax distributions, totaling \$4,371.73, were receipted into the Wastewater Utility - Operating Fund and deposited in the Wastewater bank account. The Clerk-Treasurer corrected the error by writing a check from the Wastewater Utility - Operating Fund to the Town and receipting it to the Town's General Fund on December 23, 2010.

The August 3, 2009 Local Road and Street state distribution for \$122.36, was receipted into the General Fund on August 29, 2009.

The December 10, 2009 Cumulative Capital Improvement Fund cigarette tax state distribution for \$609.34 was receipted into the General Fund on December 7, 2009.

The March 3, 2010 Local Road and Street state distribution for \$469.44, was receipted into the Motor Vehicle Highway Fund on March 3, 2010.

The March 3, 2010 Motor Vehicle Highway state distribution for \$918.33, was receipted into the Local Road and Street Fund on March 3, 2010.

The April 13, 2010 Local Road and Street state distribution for \$493.48, was receipted into the General Fund on April 13, 2010.

The June 9, 2010 Cumulative Capital Improvement Fund cigarette tax state distribution for \$549.35, was receipted into the General Fund on June 7, 2010.

The June 9, 2010 General cigarette tax state distribution for \$149.82, was receipted into the Cumulative Capital Improvement Fund on June 7, 2010.

The September 7, 2010 Motor Vehicle Highway, Accelerated Motor Vehicle Highway 1, and Accelerated Motor Vehicle Highway 2 state distributions, totaling \$890.16, were receipted into the General Fund on September 2, 2010.

The October 5, 2010 ABC Gallonage state distribution for \$196.01 was receipted into the Motor Vehicle Highway Fund on October 1, 2010.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FUND SOURCES AND USES – MOTOR VEHICLE HIGHWAY

The following expenses were paid from the Motor Vehicle Highway Fund, but were not approved uses of those funds, according to Indiana Code 8-14-1-5:

TOWN OF ELIZABETHTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Date	Check	Paid by Fund	Outdoor Lighting	Security Light	Town Hall	Natural Gas	Totals
03-31-08	Columbus Silgas	MVH	\$ -	\$ -	\$ -	\$ 300.00	\$ 300.00
05-31-08	Duke Energy	MVH	-	-	39.50	-	39.50
10-10-08	Duke Energy	MVH	-	-	19.62	-	19.62
12-28-08	REMC	MVH	-	21.70	-	-	21.70
01-30-09	Duke Energy	MVH	6.30	-	-	-	6.30
06-30-09	Duke Energy	MVH	6.20	-	21.74	-	27.94
01-01-10	Columbus Silgas	MVH	-	-	-	352.47	352.47
Totals			<u>\$ 12.50</u>	<u>\$ 21.70</u>	<u>\$ 80.86</u>	<u>\$ 652.47</u>	<u>\$ 767.53</u>

The Motor Vehicle Highway Fund reimbursed the General Fund, in the amount of \$767.53, on December 23, 2010.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 8-14-1-5 Sec. 5. states:

"(a) All funds allocated to cities and towns from the motor vehicle highway account shall be used by the cities and towns for the construction, reconstruction, repair, maintenance, oiling, sprinkling, snow removal, weed and tree cutting and cleaning of their highways as herein defined, and including also any curbs, and the city's or town's share of the cost of the separation of the grades of crossing of public highways and railroads, the purchase or lease of highway construction and maintenance equipment, the purchase, erection, operation and maintenance of traffic signs and signals, and safety zones and devices; and the painting of structures, objects, surfaces in highways for purposes of safety and traffic regulation. All of such funds shall be budgeted as provided by law.

(b) In addition to purposes for which funds may be expended under subsections (a) and (c) of this section, monies allocated to cities and towns under this chapter may be expended for law enforcement purposes, subject to the following limitations:

(1) For cities and towns with a population of less than five thousand (5,000), no more than fifteen percent (15%) may be spent for law enforcement purposes.

(2) For cities and towns other than those specified in subdivision (1) of this subsection, no more than ten percent (10%) may be spent for law enforcement purposes.

(c) In addition to purposes for which funds may be expended under subsections (a) and (b) of this section, monies allocated to cities and towns under this chapter may be expended for the payment of principal and interest on bonds sold primarily to finance road, street, or thoroughfare projects."

TOWN OF ELIZABETHTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

FUND SOURCES AND USES – LOCAL ROAD AND STREET

The following expenses were paid from the Local Road and Street Fund, but were not approved uses of those funds, according to Indiana Code 8-14-2-5:

Date	Check	Paid by Fund	Outdoor Lighting	Security Light	Town Hall	Natural Gas	Totals
01-30-08	REMC	LRS	\$ -	\$ 7.00	\$ -	\$ -	\$ 7.00
03-31-08	Columbus Silgas	LRS	-	-	-	181.04	181.04
05-31-08	Duke Energy	LRS	6.16	-	-	-	6.16
07-01-08	Duke Energy	LRS	-	-	33.86	-	33.86
07-31-08	Duke Energy	LRS	6.11	-	-	-	6.11
08-30-08	Duke Energy	LRS	-	-	14.47	-	14.47
10-31-08	Duke Energy	LRS	12.59	-	38.69	-	51.28
12-28-08	Duke Energy	LRS	6.30	-	-	-	6.30
04-30-09	Duke Energy	LRS	6.30	-	-	-	6.30
05-29-09	REMC	LRS	-	13.61	-	-	13.61
07-26-09	Duke Energy	LRS	6.19	-	24.11	-	30.30
07-29-09	REMC	LRS	-	7.35	-	-	7.35
08-29-09	REMC	LRS	-	7.35	-	-	7.35
10-30-09	Duke Energy	LRS	0.04	-	39.52	-	39.56
11-18-09	Duke Energy	LRS	6.17	-	18.76	-	24.93
12-20-09	Duke Energy	LRS	6.17	-	-	-	6.17
12-20-09	REMC	LRS	-	14.70	-	-	14.70
07-30-10	Duke Energy	LRS	-	-	25.34	-	25.34
Totals			<u>\$ 56.03</u>	<u>\$ 50.01</u>	<u>\$ 194.75</u>	<u>\$ 181.04</u>	<u>\$ 481.83</u>

The Local Road and Street Fund reimbursed the General Fund, in the amount of \$481.83, on December 23, 2010.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 8-14-2-5 Sec. 5. states:

"Money from the local road and street account shall be used exclusively by the cities, towns, and counties for:

- (1) engineering, land acquisition, construction, resurfacing, maintenance, restoration, or rehabilitation of both local and arterial road and street systems;
- (2) the payment of principal and interest on bonds sold primarily to finance road, street, or thoroughfare projects;
- (3) any local costs required to undertake a recreational or reservoir road project under IC 8-23-5; or (4) the purchase, rental, or repair of highway equipment."

TOWN OF ELIZABETHTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN FUND BALANCE

The Payroll Fund had an overdrawn fund balance of \$133.82 at December 31, 2009, and \$98.93 at December 31, 2010.

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 ELIZABETHTOWN
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2011, with Gail E. Greathouse, Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 13 and 14.

December 14, 2010

Gail Greathouse

Elizabethtown Clerk Treasurer

Box 192

Elizabethtown IN 47232

Answer to preliminary audit examination results and comments.

Overage on MVH: we had a budget cut that did not even meet our MVH Dept Head salary let alone any other expenses. Budget was not received until after the entire approved budget had already been exceeded.

Interest on Investments: the problem of interest being recorded at dates later than received was resolved with a bank change during 2009. The Town now receives monthly statements of all investments and can record interest received as it takes place.

Deposits: not being deposited by next business day, most are deposited in the night deposit. Deposits were being created in the evenings, deposits taken to bank on way home from work next day, but business dates of deposit are the following day; due to bank going to next business day at 2:30 p.m.

Capital Asset Records not being presented for audit: We do have these, they were created after last audit, request for these records was missed, therefore they were not presented.

Fund Sources and Use: All funds are in the bank deposited to Elizabethtown, transfer to proper account will be complete prior to year end.

Overdrawn Fund Balance of \$133.82 in payroll account on December 31, 2009: this was due to ADP withdrawing funds that are normally withdrawn in January of each year for recordkeeping charges. Funds were transferred in January and this problem is rectified.

Respectfully:

Gail E. Greathouse

Town of Elizabethtown
100 West St Box 192
Elizabethtown IN 47232

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MAY 30 2011

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May 31, 2011

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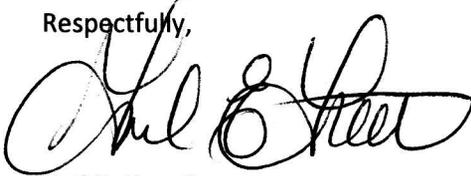
To Whom It May Concern:

In regard to audit completed on the Town's books and finances, please enter the following response in two areas:

Interest on Investments: All interest has been documented to the appropriate certificate of deposit, but it was not entered onto the check register, then removed as it rolled onto the cd. Clerk Treasurer was advised this step should be taken and will be for all future entries.

Overdrawn Fund Balance: This was a deduction from the bank that was reversed in January 2011. This reversal was documented by the auditor, but remains a part of the report for the date 12.31.2010.

Respectfully,



Gail E. Greathouse
Elizabethtown Clerk Treasurer