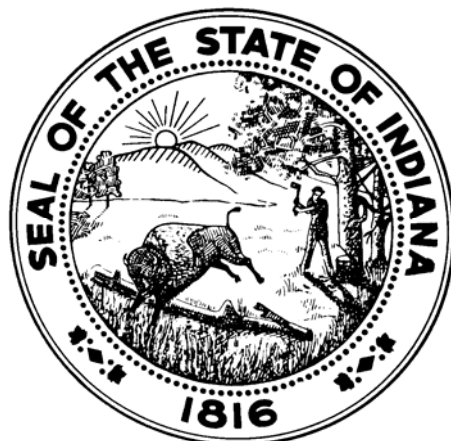


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF ELIZABETHTOWN
BARTHOLOMEW COUNTY, INDIANA
January 1, 2001 to December 31, 2005



FILED
7/31/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gail E. Greathouse	01-01-96 to 12-31-07
President of the Town Council	Johnnie E. Rutan James Kiefner	01-01-01 to 12-31-02 01-01-03 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Elizabethtown (Town), for the period of January 1, 2001 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, 2001, 2002, 2003, 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

June 13, 2006

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, 2001, 2002, 2003, 2004, And 2005

	Cash and Investments 01-01-01	Receipts	Disbursements	Cash and Investments 12-31-01
Governmental Funds:				
General	\$ 11,984	\$ 37,034	\$ 14,187	\$ 34,831
Motor Vehicle Highway	16,731	17,721	34,068	384
Local Road and Street	10,439	10,373	9,183	11,629
Cumulative Capital Improvement	13,801	731	7,294	7,238
Proprietary Fund:				
Wastewater Utility - Operating	80,093	138,578	101,734	116,937
Fiduciary Fund:				
Payroll	<u>2,393</u>	<u>27,682</u>	<u>24,147</u>	<u>5,928</u>
Totals	<u>\$ 135,441</u>	<u>\$ 232,119</u>	<u>\$ 190,613</u>	<u>\$ 176,947</u>

	Cash and Investments 01-01-02	Receipts	Disbursements	Cash and Investments 12-31-02
Governmental Funds:				
General	\$ 34,831	\$ 15,385	\$ 9,000	\$ 41,216
Motor Vehicle Highway	384	13,072	10,909	2,547
Local Road and Street	11,629	4,656	4,559	11,726
Cumulative Capital Improvement	7,238	1,807	4,090	4,955
Proprietary Fund:				
Wastewater Utility - Operating	116,937	104,646	75,773	145,810
Fiduciary Fund:				
Payroll	<u>5,928</u>	<u>17,698</u>	<u>23,090</u>	<u>536</u>
Totals	<u>\$ 176,947</u>	<u>\$ 157,264</u>	<u>\$ 127,421</u>	<u>\$ 206,790</u>

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 41,216	\$ 32,144	\$ 25,404	\$ 47,956
Motor Vehicle Highway	2,547	16,341	27,872	(8,984)
Local Road and Street	11,726	3,301	4,851	10,176
Sidewalk Project	-	37,077	37,063	14
Cumulative Capital Improvement	4,955	840	1,885	3,910
Proprietary Fund:				
Wastewater Utility - Operating	145,810	116,858	80,353	182,315
Fiduciary Fund:				
Payroll	<u>536</u>	<u>23,100</u>	<u>22,460</u>	<u>1,176</u>
Totals	<u>\$ 206,790</u>	<u>\$ 229,661</u>	<u>\$ 199,888</u>	<u>\$ 236,563</u>

The accompanying notes are an integral part of the schedules.

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, 2001, 2002, 2003, 2004, And 2005
(Continued)

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 47,956	\$ 20,871	\$ 25,494	\$ 43,333
Motor Vehicle Highway	(8,984)	17,470	15,710	(7,224)
Local Road and Street	10,176	3,033	1,364	11,845
Sidewalk Project	14	1,820	1,834	-
Cumulative Capital Improvement	3,910	730	-	4,640
Proprietary Fund:				
Wastewater Utility - Operating	182,315	108,880	93,641	197,554
Fiduciary Fund:				
Payroll	1,176	25,382	23,207	3,351
Totals	<u>\$ 236,563</u>	<u>\$ 178,186</u>	<u>\$ 161,250</u>	<u>\$ 253,499</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 43,333	\$ 21,080	\$ 19,163	\$ 45,250
Motor Vehicle Highway	(7,224)	16,447	13,832	(4,609)
Local Road and Street	11,845	7,246	1,292	17,799
Cumulative Capital Improvement	4,640	715	-	5,355
Proprietary Fund:				
Wastewater Utility - Operating	197,554	113,569	89,832	221,291
Fiduciary Fund:				
Payroll	3,351	32,364	23,928	11,787
Totals	<u>\$ 253,499</u>	<u>\$ 191,421</u>	<u>\$ 148,047</u>	<u>\$ 296,873</u>

The accompanying notes are an integral part of the schedules.

TOWN OF ELIZABETHTOWN
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety and general administrative 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.

Note 6. Long-Term Debt

The Town has entered into a State Revolving Fund loan for wastewater facility improvements. The outstanding principal at December 31, 2001, 2002, 2003, 2004, and 2005, was \$246,626, \$243,126, \$239,126, \$226,126, and \$213,000, respectively.

TOWN OF ELIZABETHTOWN
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports for 2001, 2002, 2003, 2004, and 2005, were not presented for audit.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2001	\$ 14,187
Motor Vehicle Highway	2001	34,069
Local Road and Street	2001	9,183
Cumulative Capital Improvement	2001	7,294
Local Road and Street	2002	957
Cumulative Capital Improvement	2002	2,365
General	2003	8,415
Motor Vehicle Highway	2003	12,281
General	2004	7,906

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."

CAPITAL ASSET RECORDS

The Town did not present records for capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets 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)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior audit report, were again present during our period of audit:

- (1) Depository reconciliations of the fund balances to the bank account were incorrect. Some deposits and checks were not recorded correctly in the Town's ledger.

TOWN OF ELIZABETHTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted into funds, checks and receipts not recorded in the proper amounts, interest not posted.

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)

DEPOSITS

As stated in the prior Audit Reports B08036, B12720, and B17067, we noted numerous instances when 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."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not prepared for all disbursements.
(2) Claims or invoices were not adequately itemized.

Indiana Code 5-11-10-1.6 states, in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TOWN OF ELIZABETHTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

FUND SOURCES AND USES

Local and State distributions were not receipted into the correct funds.

Grant receipts were not recorded in the funds ledger.

Some receipts and disbursements were not made from the appropriate funds of the Town.

Funds were disbursed from Wastewater Utility for payroll that exceeded the Utility's portion of employee salaries.

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)

OFFICIAL BOND

The Clerk-Treasurer did not have an official bond on file with the county recorder for the period of January 1, 2001 to January 25, 2004.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

PENALTIES AND OTHER CHARGES

As noted in prior Audit Report B12720 and B17067, the Town incurred, and subsequently paid, late fees for delinquent payment of vendor invoices during the audit period.

The payroll bank account was overdrawn during the audit period. As a result, the bank charged the account for a total of \$208 in continuous overdraft fees. Future charges may be the personal obligation of the responsible official.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ELIZABETHTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

PREScribed FORMS

The following prescribed or approved forms were not always in use: General Ledger, General Form 358; Register of Investments, General Form 350; Employee Earnings Record, General Form 99B; Clerk-Treasurer's Warrant, Town Form 219; and Water and Sewage Receipt, Utility Form 311.

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)

RECEIPT ISSUANCE

The information presented for examination indicates the town does not issue receipts for any collections.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

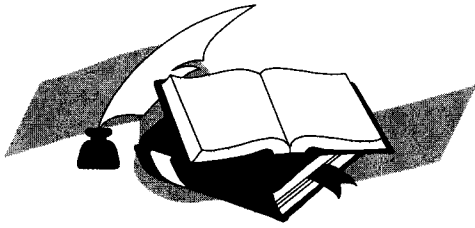
UTILITY LATE FEES

Instances were noted where penalties on utility late fees were charged more than once. The Wastewater Ordinance 9712, Article V, Section 2, states that: "a late payment penalty of ten percent (10%) of the user charge bill will be added to each delinquent bill for each delinquency. A separate delinquency is incurred each month the payment is not received."

It is our audit position that the 10% penalty [on unpaid wastewater bills] specified in Indiana Code 36-9-23-31 should be assessed one time and one time only. Subsequent billings should not include additional assessments on this penalty. Similarly, unless specifically directed by statute, ordinance, or other legal directives, penalties on late fees for municipal utilities organized under Indiana Code 8-1.5 should be charged only one time. Future late charges should not include additional charges added to the penalties on late fees. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 1999)

TOWN OF ELIZABETHTOWN
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2006, with Gail E. Greathouse, Clerk-Treasurer. The official response has been made a part of this report and may be found on page 12.



Town of Elizabethtown
100 West St. Box 192
Elizabethtown, IN 47232
812-579-6111

State Board of Accounts
302 W Washington Rm E 418
Indianapolis IN 46204

To Whom it may concern:

Regarding the notation for utility late fees: This was also addressed in our last audit. I was told to contact the attorney who prepared the ordinance for verification of the intent of the ordinance. The attorney stated it was the intent of the ordinance that each month a 10% penalty be accessed to the outstanding balance.

When I contacted the State Board with his comments, I was told that while the State Board disagreed, they would never argue against following the advice of our attorney.

We continue at this time to follow the advice of our attorney and charge a 10% penalty each month on the outstanding balance.

Clerk Treasurer

Gail E. Greathouse

Council Members: James Brown, Eric Peery, James Kiefner Clerk Treasurer: Gail E. Greathouse