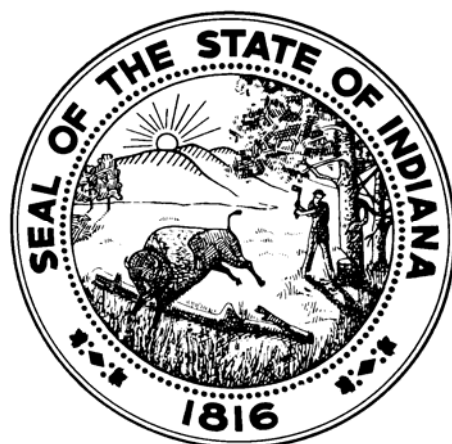


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF ETNA GREEN
KOSCIUSKO COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
10/26/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Laura L. Baker	01-01-04 to 12-31-07
President of the Town Council	Eileen M. Hall	01-01-05 to 12-31-07
Superintendent of Town and Utilities	Barry J. Baker	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ETNA GREEN, KOSCIUSKO COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Etna Green (Town), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, 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

September 11, 2007

TOWN OF ETNA GREEN
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 68,123	\$ 123,603	\$ 129,827	\$ 61,899
Motor Vehicle Highway	42,598	20,705	22,094	41,209
Sanitation	11,308	21,597	20,700	12,205
Local Road and Street	17,131	6,430	6,587	16,974
Park and Recreation	7,761	4,660	4,913	7,508
Rainy Day	4,260	-	4,259	1
Economic Development Income Tax	20,845	35,212	29,042	27,015
Cumulative Capital Improvement	7,477	2,050	4,200	5,327
Proprietary Funds:				
Electric Utility - Operating	114,328	501,168	446,459	169,037
Electric Utility - Depreciation	173,157	23,500	40,681	155,976
Electric Utility - Customer Deposit	2,363	9,445	5,445	6,363
Water Utility - Operating	6,895	114,788	112,750	8,933
Water Utility - Bond and Interest	46,999	40,100	34,138	52,961
Water Utility - Depreciation	19,911	5,000	16,811	8,100
Water Utility - Customer Deposit	720	400	80	1,040
Water Utility - Reserve	5,923	-	5,923	-
Wastewater Utility - Operating	6,656	133,661	124,034	16,283
Wastewater Utility - Bond and Interest	66,358	52,624	70,241	48,741
Wastewater Utility - Depreciation	13,410	3,000	11,867	4,543
Fiduciary Funds:				
Levy Excess	358	-	358	-
Payroll	-	146,084	146,084	-
Totals	<u>\$ 636,581</u>	<u>\$ 1,244,027</u>	<u>\$ 1,236,493</u>	<u>\$ 644,115</u>

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

TOWN OF ETNA GREEN
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, 2005 And 2006
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 61,899	\$ 180,471	\$ 115,819	\$ 126,551
Motor Vehicle Highway	41,209	24,822	19,176	46,855
Sanitation	12,205	19,551	19,029	12,727
Local Road and Street	16,974	6,341	5,209	18,106
Park and Recreation	7,508	4,756	6,307	5,957
Rainy Day	1	-	-	1
Economic Development Income Tax	27,015	42,715	69,730	-
Cumulative Capital Improvement	5,327	2,368	3,700	3,995
Proprietary Funds:				
Electric Utility - Operating	169,037	490,934	491,836	168,135
Electric Utility - Depreciation	155,976	57,734	36,000	177,710
Electric Utility - Customer Deposit	6,363	2,340	3,757	4,946
Water Utility - Operating	8,933	108,480	113,157	4,256
Water Utility - Bond and Interest	52,961	29,054	38,117	43,898
Water Utility - Depreciation	8,100	300	3,136	5,264
Water Utility - Customer Deposit	1,040	460	200	1,300
Wastewater Utility - Operating	16,283	142,314	147,256	11,341
Wastewater Utility - Bond and Interest	48,741	77,965	69,770	56,936
Wastewater Utility - Depreciation	4,543	1,500	3,535	2,508
Fiduciary Fund:				
Payroll	-	142,706	142,706	-
Totals	<u>\$ 644,115</u>	<u>\$ 1,334,811</u>	<u>\$ 1,288,440</u>	<u>\$ 690,486</u>

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

TOWN OF ETNA GREEN
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, culture and recreation, general administrative services, electric, 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. 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 ETNA GREEN
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

As of December 31, 2006

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 (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 363,300
Infrastructure	325,084
Buildings	542,910
Improvements other than buildings	<u>290,278</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,521,572</u>

Primary Government

Business-type activities:

Water Utility:

Capital assets, not being depreciated:

Land	\$ 1,700
Buildings	427,491
Improvements other than buildings	334,368
Machinery and equipment	<u>36,217</u>

Total Water Utility capital assets 799,776

Wastewater Utility:

Capital assets, not being depreciated:

Land	11,800
Buildings	1,432,855
Improvements other than buildings	704,106
Machinery and equipment	<u>20,717</u>

Total Wastewater Utility capital assets 2,169,478

Electric Utility:

Capital assets, not being depreciated:

Improvements other than buildings	198,747
Machinery and equipment	<u>234,230</u>

Total Electric Utility capital assets 432,977

Total business-type activities capital assets

\$ 3,402,231

TOWN OF ETNA GREEN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

As of December 31, 2006

	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
1999 Waterworks improvements	\$ 360,000	\$ 20,000
Wastewater Utility		
Revenue bonds:		
1991 Sewage Works Improvements	180,000	26,000
1999A Sewage Works Improvements	421,000	1,000
1999B Sewage Works Improvements	<u>300,000</u>	<u>1,000</u>
Total Wastewater Utility	<u>901,000</u>	<u>28,000</u>
Total business-type activities long-term debt:	<u><u>\$ 1,261,000</u></u>	<u><u>\$ 48,000</u></u>

TOWN OF ETNA GREEN
EXAMINATION RESULTS AND COMMENTS

APPROVAL OF CLAIMS

In a sample of disbursements, we found that 20% of corresponding claims were not listed on the Accounts Payable Voucher Register and, therefore, were not approved by the Town Council for payment. The Clerk-Treasurer said the claims were properly filed but the software didn't print them on the register.

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

COMPENSATION AND BENEFITS

The Town Superintendent received compensation which was not included in the salary ordinances for 2005 and 2006. Payments in excess of the ordinances were authorized by a contract between the Town and the employee. Salary ordinance authorized amounts and payments are included in the following schedule:

	2005	2006
Regular pay	\$ 43,918	\$ 46,010
Compensatory time paid	1,689	5,293
Vacation not used	1,056	1,604
IRA contributions	2,000	1,833
Certifications	317	130
 Total paid	 48,980	 54,870
 Salary ordinance amounts	 43,918	 46,010
 Difference	 \$ 5,062	 \$ 8,860

TOWN OF ETNA GREEN
EXAMINATION RESULTS AND COMMENTS
(Continued)

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION FOR UNUSED SICK LEAVE

On December 27, 2005, two employees received \$2,143.30 and \$975.36 for sick days which were not credited to them in the years 1998 through 2005. Per Ordinance 1998-1, full-time employees receive seven sick days per year. These two employees only received five days per year. However, the ordinance does not provide for unused sick leave to be paid to employees. One of the employees is no longer an employee of the Town. The other employee, the Town Superintendent, is repaying \$2,143.30 through payroll reductions for the remainder of 2007.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ETNA GREEN
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2007, with Laura L. Baker, Clerk-Treasurer. The official concurred with our findings.