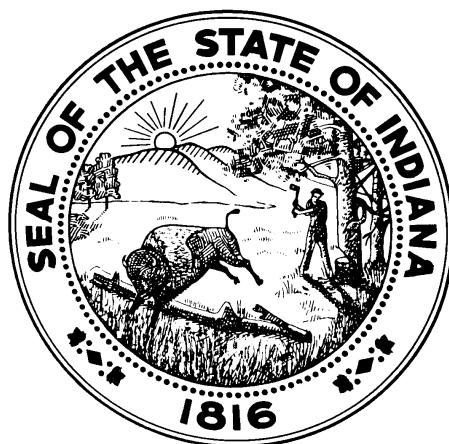


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
TOWN OF ELIZABETHTOWN  
BARTHOLOMEW COUNTY, INDIANA  
January 1, 2006 to December 31, 2007



**FILED**  
12/31/2008



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Gail E. Greathouse

01-01-06 to 12-31-08

President of the  
Town Council

James Kiefner

01-01-06 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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, 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.

Financial information presented for examination was incomplete and not reflective of the activity of the Town's funds. The records presented did not provide sufficient information to examine receipts and disbursements or the accuracy or correctness of the transactions.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the financial information referred to above presents fairly, in all material respects, the cash transactions of the Town for the years then 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.

STATE BOARD OF ACCOUNTS

September 24, 2008

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, 2006 And 2007

	<u>Cash and Investments 01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-06</u>
Governmental Fund:				
All funds	\$ 63,795	\$ 35,999	\$ 34,753	\$ 65,041
Proprietary Fund:				
Wastewater Utility - Operating	221,291	95,313	81,232	235,372
Fiduciary Fund:				
Payroll	<u>11,787</u>	<u>10,717</u>	<u>23,286</u>	<u>(782)</u>
Totals	<u>\$ 296,873</u>	<u>\$ 142,029</u>	<u>\$ 139,271</u>	<u>\$ 299,631</u>

	<u>Cash and Investments 01-01-07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-07</u>
Governmental Fund:				
All funds	\$ 65,041	\$ 44,535	\$ 30,429	\$ 79,147
Proprietary Fund:				
Wastewater Utility - Operating	235,372	112,895	92,003	256,264
Fiduciary Fund:				
Payroll	<u>(782)</u>	<u>29,292</u>	<u>25,729</u>	<u>2,781</u>
Totals	<u>\$ 299,631</u>	<u>\$ 186,722</u>	<u>\$ 148,161</u>	<u>\$ 338,192</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, health and social services, culture and recreation, 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.

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. Financial Statement

The Town was unable to provide ledgers for the examination. Information from the Town's bank statements was used to calculate amounts for the financial schedules. The Governmental Funds, in the financial statements, are shown combined under the title "All Funds" due to the lack of records which would have been required to document the amounts received and disbursed in each fund.

TOWN OF ELIZABETHTOWN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

Description of Debt	Ending Principal Balance	Principal Due Within One Year
Business-type Activities:		
Wastewater Utility		
State Revolving Loan:		
CS 182091 01	\$ 185,500	\$ 14,500
Total Wastewater Utility	<u>\$ 185,500</u>	<u>\$ 14,500</u>

TOWN OF ELIZABETHTOWN  
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

An annual report for 2006 was not presented for examination. A 2007 annual report was presented for examination, however, there were numerous errors noted. A similar comment appeared in prior Report B27498.

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 . . ."

APPROVAL OF FORMS

The Town of Elizabethtown was using the following forms which had not been approved for use in lieu of prescribed forms:

Sewer Entry Registers  
Sewer Bill History  
Receipts

These forms were not being used in the manner prescribed (i.e. classification of monies received, date of receipt).

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)

BANK ACCOUNT RECONCILIATIONS

Some depository reconciliations of the fund balances to the bank account balances were not presented for examination. Reconcilements were performed on the back of the bank statements for only a portion of the Town accounts. The sewer account was not reconciled. Since there are no ledgers for 2006 and 2007, no Annual Report for 2006, and the 2007 Annual Report is incorrect, reconcilements, prepared by the State Board of Accounts during the course of this examination could not be verified to ledger balances.

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."

CAPITAL ASSET RECORDS

The Town does not maintain capital asset records; therefore, records were not presented for examination. A similar comment appeared in prior Report B27498.

TOWN OF ELIZABETHTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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. 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)

COMPUTER OUTPUT

Access to records and information generated by the computer system was limited due to a complete crash of the system in 2007. No printed ledgers were maintained; all information was kept on the computer system only. Back-ups were not available for review because the back-ups were not done properly and information was inaccurate and incomplete. The Town has received a similar comment Report B17067 for the period of 01-01-99 to 12-31-00.

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(d) states: "No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the State Board of Accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of all Funds. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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 ELIZABETHTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DEPOSITS

As stated in the prior Reports B08036, B12720, B17067, and B27498, 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."

ERRORS ON CLAIMS

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

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

A similar comment appeared in prior Report B27498.

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."

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

Receipts were not properly filled out (i.e. date, from, classification); the carbon copy of the receipt sometimes had the amount written over in pen with a smaller amount in some instances; amounts were added to the carbon copy of receipts and were sometimes deposited and sometimes not; the end of 2007, only one receipt was issued each month for all amounts taken in.

TOWN OF ELIZABETHTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The Clerk-Treasurer makes, without board approval, write-offs to customer accounts.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the Town had money due from the Town, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

PENALTIES, INTEREST AND OTHER CHARGES

As similarly noted in prior Reports B12720, B12721, B17067 and B27498, the Town incurred, and subsequently paid, late fees totaling \$66.25 for delinquent payment of vendor invoices during the examination period.

Penalties and interest totaling \$494.86 were paid to the Indiana Department of Revenue, by two checks dated June 27, 2006 and September 30, 2006, for the period of December 31, 1998.

The payroll bank account was overdrawn during July 2007. As a result, the bank charged the account for a total of \$36 in continuous overdraft fees, as well as \$198 in overdraft item charges; however, the overdraft item charges were reversed by the bank.

The charges listed above, totaling \$597.11, are the personal obligation of the Clerk-Treasurer.

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. (See Summary, page 15)

(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; Clerk-Treasurer's Warrant, Town Form 219, Water and Sewage Receipt, Utility Form 311; Town Receipt, Town Form 217. This was documented in the previous two Reports B17067 and B27498.

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

As stated in the prior Report B27498, in some instances receipts were not issued.

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 IC 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 IC 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 December 15, 2008, with Gail E. Greathouse, Clerk-Treasurer. The official response has been made a part of this report and may be found on page(s) 13 and 14.



**Town of Elizabethtown**

100 West St. Box 192  
Elizabethtown, IN 47232  
812-579-6111  
e-mail: Elizabethtown47232@yahoo.com

December 18, 2008

State Board of Accounts  
302 W Washington St R E418  
Indianapolis IN 46204

ATT: Bruce Hartmann

RE: Audit Response

Notation regarding utility late fees: This was also addressed in our last two audits. had been directed to contact the attorney who wrote the ordinance for verification. I did this and reported his comments to SBOA auditors, I was told that while SBOA disagreed, they would never argue against our following the advice of our attorney, therefore we have. During this audit I was advised to follow the advice of SBOA, I will report this to Council Members and will hopefully commence the change with the next monthly billing in January of 2009.

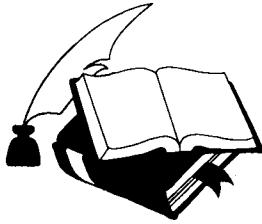
Response to notation of annual report: I agree with the 2006 notation, the info received in the mail was to much to comprehend, to many pages not needed by our unit. In 2007 with the ability to download and delete unneeded pages and will some 'over the phone assistance' from the State, I made a valid attempt. My goal is to keep at it until I get it right.

Notation's on forms: I have been in contact with AE Boyce to request sample documents. Any alternative forms used will be forwarded to SBOA to seek approval.

Capital asset records: Attempting to get form and will get completed.

Notation on timely deposits: I totally disagree with this comment. We do not have mail Delivery to our homes or the Town Hall. We have a post office, the post office has changed It's hours and for most working people it is impossible to get mail in a timely manner.

Council Members: James Kiefner, Eric Peery, James Brown      Clerk Treasurer: Gail E. Greathouse  
Deputy Clerk Treasurer: Ronda Thompson      Marshal: Tom Nienaber      Deputy Marshal: Fred Neff



## Town of Elizabethtown

I make 3 valid attempts to get mail monthly, or have deputy retrieve. Deposits are made the next day in the night deposit after I receive the mail. This may occur on a weekend or a holiday making the next business day documentation a later date. During exit conference, reference was made to the checks from the Auditor's office, these checks are also deposited the day after the mail is picked up. In the future I will note on all Auditor check's the date received and make a copy for the file to show they are deposited day after received.

Notation on employee listed not being filed: This will be completed and filed.

Respectfully,

Gail E. Greathouse  
Clerk Treasurer

Council Members: James Kiefner, Eric Peery, James Brown      Clerk Treasurer: Gail E. Greathouse  
Deputy Clerk Treasurer: Ronda Thompson      Marshal: Tom Nienaber      Deputy Marshal: Fred Neff

TOWN OF ELIZABETHTOWN  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Gail E. Greathouse, Clerk-Treasurer			
Penalties, Interest and Late Charges, page 10	\$ 597.11	\$ -	\$ -
Repaid by Gail E. Greathouse, Check No. 9164 deposited December 16, 2008	<u>-</u>	<u>597.11</u>	<u>-</u>
Totals	<u>\$ 597.11</u>	<u>\$ 597.11</u>	<u>\$ -</u>