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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF ELIZABETHTOWN

BARTHOLOMEW COUNTY, INDIANA

January 1, 2011 to December 31, 2012

FILED
07/30/2013

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Gail E. Greathouse	01-01-08 to 01-31-13
	Ashley Austerman	02-01-13 to 03-03-13
	Peggy Brown	03-04-13 to 12-31-13
President of the Town Council	Eric Peery	01-01-11 to 06-30-13
	Fred Barnett	07-01-13 to 12-31-13

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 ELIZABETHTOWN, BARTHOLOMEW COUNTY, INDIANA

We have examined the accompanying financial statement of the Town of Elizabethtown (Town), for the period of January 1, 2011 to December 31, 2012. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

In our opinion, the financial statement referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, on the basis of accounting described in Note 1.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

June 13, 2013

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

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TOWN OF ELIZABETHTOWN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	$ 43,175	$ 43,584	$ 16,982	$ 69,777	$ 68,884	$ 74,533	$ 64,128
Motor Vehicle Highway	46,516	18,003	10,996	53,523	35,829	22,193	67,159
Local Road And Street	5,785	5,592	6,543	4,834	5,106	2,308	7,632
Cumulative Capital Improvement	-	580	580	-	1,337	1,337	-
Excess Levy	-	-	-	-	10,275	10,275	-
Non-Reverting Ordinance Violation	-	-	-	-	750	385	365
Elizabethtown Sewer EQ Basin Grant	12,875	457,971	465,959	4,887	-	4,887	(0)
Elizabethtown Sewage Utility	182,804	103,020	107,584	178,240	180,612	202,388	156,464
Payroll	(99)	26,506	18,620	7,787	12,618	19,049	1,356
Totals	$ 291,056	$ 655,256	$ 627,264	$ 319,048	$ 315,411	$ 337,355	$ 297,103

The notes to the financial statement are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services and penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. *Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: https://gateway.ifionline.org/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

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TOWN OF ELIZABETHTOWN
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011

	General Fund	Motor Vehicle Highway	Local Road And Street	Cumulative Capital Improvement	Excess Levy	Non-Reverting Ordinance Violation	Elizabethtown Sewer EQ Basin Grant	Elizabethtown Sewage Utility	Payroll	Totals
Cash and investments - beginning	$ 43,175	$ 46,516	$ 5,785	$ -	$ -	$ -	$ 12,875	$ 182,804	$ (99)	$ 291,056
Receipts:										
Taxes	16,616	-	-	580	-	-	-	-	-	17,196
Licenses and permits	40	-	-	-	-	-	-	-	-	40
Intergovernmental	23,585	11,735	5,592	-	-	-	-	-	-	40,912
Charges for services	290	-	-	-	-	-	-	-	-	290
Fines and forfeits	167	-	-	-	-	-	-	-	-	167
Utility fees	-	-	-	-	-	-	-	92,794	-	92,794
Other receipts	2,886	6,268	-	-	-	-	457,971	10,226	26,506	503,857
Total receipts	43,584	18,003	5,592	580	-	-	457,971	103,020	26,506	655,256
Disbursements:										
Personal services	7,229	5,400	-	-	-	-	-	-	-	12,629
Supplies	745	-	-	-	-	-	-	-	-	745
Other services and charges	9,008	5,596	6,543	-	-	-	-	-	-	21,147
Capital outlay	-	-	-	-	-	-	465,959	-	-	465,959
Utility operating expenses	-	-	-	-	-	-	-	84,354	-	84,354
Other disbursements	-	-	-	580	-	-	-	23,230	18,620	42,430
Total disbursements	16,982	10,996	6,543	580	-	-	465,959	107,584	18,620	627,264
Excess (deficiency) of receipts over disbursements	26,602	7,007	(951)	-	-	-	(7,988)	(4,564)	7,886	27,992
Cash and investments - ending	$ 69,777	$ 53,523	$ 4,834	$ -	$ -	$ -	$ 4,887	$ 178,240	$ 7,787	$ 319,048

TOWN OF ELIZABETHTOWN
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2012

	General Fund	Motor Vehicle Highway	Local Road And Street	Cumulative Capital Improvement	Excess Levy	Non-Reverting Ordinance Violation	Elizabethtown Sewer EQ Basin Grant	Elizabethtown Sewage Utility	Payroll	Totals
Cash and investments - beginning	$ 69,777	$ 53,523	$ 4,834	$ -	$ -	$ -	$ 4,887	$ 178,240	$ 7,787	$ 319,048
Receipts:										
Taxes	9,220	8,630	4,617	1,337	-	-	-	-	-	23,804
Licenses and permits	2,082	-	-	-	-	-	-	-	-	2,082
Intergovernmental	36,067	2,025	-	-	-	-	-	-	-	38,092
Charges for services	4	-	-	-	-	-	-	-	-	4
Fines and forfeits	942	-	-	-	-	750	-	-	-	1,692
Utility fees	-	-	-	-	-	-	-	76,301	-	76,301
Penalties	-	-	-	-	-	-	-	8,533	-	8,533
Other receipts	20,569	25,174	489	-	10,275	-	-	95,778	12,618	164,903
Total receipts	68,884	35,829	5,106	1,337	10,275	750	-	180,612	12,618	315,411
Disbursements:										
Personal services	7,329	4,975	-	-	-	-	-	-	-	12,304
Supplies	2,037	-	1,511	-	-	-	-	-	-	3,548
Other services and charges	37,237	16,946	797	-	-	-	-	-	-	54,980
Utility operating expenses	-	-	-	-	-	-	-	99,728	-	99,728
Other disbursements	27,930	272	-	1,337	10,275	385	4,887	102,660	19,049	166,795
Total disbursements	74,533	22,193	2,308	1,337	10,275	385	4,887	202,388	19,049	337,355
Excess (deficiency) of receipts over disbursements	(5,649)	13,636	2,798	-	-	365	(4,887)	(21,776)	(6,432)	(21,945)
Cash and investments - ending	$ 64,128	$ 67,159	$ 7,632	$ -	$ -	$ 365	$ (0)	$ 156,464	$ 1,356	$ 297,103

TOWN OF ELIZABETHTOWN
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	$ 35,260	$ 792
Governmental activities	-	-
Totals	$ 35,260	$ 792

TOWN OF ELIZABETHTOWN
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Description of Debt		Ending	Principal and Interest Due
Type	Purpose	Principal Balance	Within One Year
Governmental activities:			
Notes and loans payable	Sewer Plant Construction	$ 108,000	$ 20,111
Totals		$ 108,000	$ 20,111

TOWN OF ELIZABETHTOWN
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	$ 5,000
Infrastructure	641,106
Buildings	20,000
Machinery, equipment, and vehicles	2,789
Total governmental activities	668,895
Wastewater:	
Land	5,000
Infrastructure	500,000
Buildings	14,500
Machinery, equipment, and vehicles	20,500
Total Wastewater	540,000
Total capital assets	$ 1,208,895

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued were properly recorded to the Town's records at the time the transactions occurred. Our test of this procedure found that while cash collections were posted to the records and deposited into the bank, receipts had not been issued for all distributions.

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)

APPROVAL OF FORMS

The Town was using an excel worksheet as the Town Ledger which had not been approved for use in lieu of prescribed forms to summarize certain financial information.

Unit Designed Form	State Board of Accounts Prescribed Form
Ledger of Receipts, Disbursements and Balances	Cities and Towns Form 208

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)

ADVANCE PAYMENTS

The Town paid a total $5,014.54 for compensation to three Town employees in advance. The Town contracts payroll through an outside payroll company. Payroll was paid to all employees at month end. The Clerk-Treasurer would cut a manual check for a specific amount and pay employees an advance on their salary as early as the second of the month. The payroll contractor was then contacted and the manual check amount was deducted as a miscellaneous deduction from the months end direct deposit check. Taxes were being paid on the amount prior to the miscellaneous deduction.

The Wastewater Utility paid a total of $17,000 in advance on a wastewater maintenance and operating contract.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION

Payments made for the wastewater treatment plant maintenance and operations for overtime services did not have supporting documentation. Nothing on the invoices itemized the dates and services provided. The invoices had overtime hours in total only. A total of $8,125.00 was paid and classified as overtime with no detail of dates and services provided.

There were no claims or invoices presented for examination for payments from the Sewer Grant Fund totaling $81,823.91. The Town received a Wastewater Collection System and Equalization Basin Grant and these payments were from this grant.

One claim paid from the wastewater fund for postage did not have supporting documentation describing the purchase.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

The annual reports for 2011 and 2012 contained a number of errors and did not properly reflect the financial activity of the Town.

Indiana Code 5-11-1-4(a) states:

> "The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

DELINQUENT WASTEWATER ACCOUNTS

On December 28, 2011, adjustments were made to wastewater customer accounts. These adjustments were for past due accounts and brought the amount due to zero. Delinquent wastewater fees and penalties were not recorded with the County Recorder nor were they certified to the County Auditor which would have resulted in a lien against the property. During 2012, adjustments were made on May 10, 2012, and November 13, 2012, in the same manner, however liens were properly filed with the County Auditor and certified to the County Recorder.

The information sent to the County Auditor for the above mentioned liens was incorrect. Names did not match the addresses on the wastewater account, addresses were not correct on the lien document, and the amount of the lien was accurate in total but the amount for wastewater charge and penalties breakdown was not correct.

Indiana Code 36-9-23-33 states in part:

> "(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:
>
> (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May."

CONDITION OF RECORDS

Financial records presented for examination had multiple posting errors. Local tax distributions were posted to the wrong fund.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
MVH	2012	$ 8,984
LRS	2012	54

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."

TOWN OF ELIZABETHTOWN
EXIT CONFERENCE

The contents of this report were discussed on June 26, 2013, with Eric Peery, President of the Town Council, and Fred Barnett, Town Council member. The officials indicated that they would be responding to the report but no Official Response was received.