

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

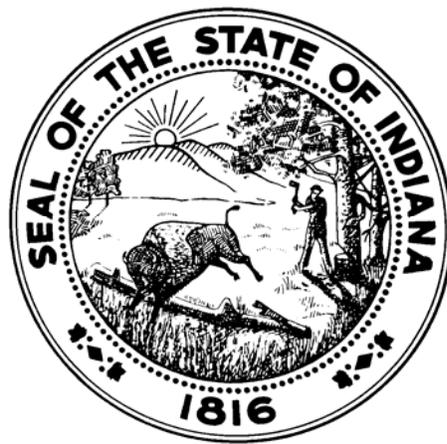
EXAMINATION REPORT

OF

TOWN OF MILTON

WAYNE COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
09/26/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diana Horner Vacant Terry Craig	01-01-04 to 07-31-04 08-01-04 to 08-08-04 08-09-04 to 12-31-07
President of the Town Council	Woodrow Duffin, Jr.	01-01-04 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 MILTON, WAYNE COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Milton (Town), for the period of January 1, 2004 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, 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

August 23, 2006

TOWN OF MILTON
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, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ (16,820)	\$ 125,344	\$ 91,617	16,907
Motor Vehicle Highway	2,312	19,557	24,222	(2,353)
Local Road and Street	23,578	6,312	172	29,718
Reserve Police	37	-	37	-
Law Enforcement Continuing Education	(76)	150	1	73
Debt Service	451	-	451	-
Fire Station Lease	3,696	-	3,696	-
Cumulative Fire	4,320	2,655	3,059	3,916
Cumulative Capital Improvement	5,067	2,280	6,422	925
Cumulative Capital Development	11,587	3,629	6,673	8,543
Economic Development Income Tax	27,877	21,487	3,183	46,181
Trash	4,033	18,179	21,946	266
Cemetery	3,931	5,017	7,652	1,296
Rainy Day	-	5,979	-	5,979
Proprietary Funds:				
Water Utility - Operating	(16,221)	81,369	62,757	2,391
Water Utility - Depreciation	28,883	3,786	10,281	22,388
Water Utility - Customer Deposit	3,898	490	3,900	488
Fiduciary Fund:				
Payroll	(25,537)	97,469	74,512	(2,580)
Totals	<u>\$ 61,016</u>	<u>\$ 393,703</u>	<u>\$ 320,581</u>	<u>\$ 134,138</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 16,907	\$ 89,764	\$ 96,153	\$ 10,518
Motor Vehicle Highway	(2,353)	19,112	16,749	10
Local Road and Street	29,718	12,131	27,739	14,110
Law Enforcement Continuing Education	73	30	-	103
Cumulative Fire	3,916	1,472	944	4,444
Cumulative Capital Improvement	925	1,889	-	2,814
Cumulative Capital Development	8,543	2,241	1,882	8,902
Economic Development Income Tax	46,181	10,191	22,656	33,716
Trash	266	30,929	27,269	3,926
Cemetery	1,296	5,306	6,602	-
Rainy Day	5,979	-	-	5,979
Proprietary Funds:				
Water Utility - Operating	2,391	73,257	76,115	(467)
Water Utility - Depreciation	22,388	6,401	4,503	24,286
Water Utility - Customer Deposit	488	275	163	600
Fiduciary Fund:				
Payroll	(2,580)	77,718	75,138	-
Totals	<u>\$ 134,138</u>	<u>\$ 330,716</u>	<u>\$ 355,913</u>	<u>\$ 108,941</u>

The accompanying notes are an integral part of the schedules.

TOWN OF MILTON
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, 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. 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. Rate Structure – Enterprise Fund

The current rate structure was approved by the Council on December 10, 2003.

Note 6. 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 MILTON
NOTES TO SCHEDULES
(Continued)

Note 7. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2004	\$ 2,617
Motor Vehicle Highway	2004	13,375
Cumulative Capital Improvement	2004	1,923
Cumulative Capital Development	2004	1,673
General	2005	7,153
Motor Vehicle Highway	2005	5,902
Local Road and Street	2005	18,625

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."

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."

ANNUAL REPORT

Annual reports for the years 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 . . ."

CERTIFIED REPORT NOT FILED

The town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2004 and 2005.

TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-13-1 states, in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

OVERDRAWN CASH BALANCES

The cash balance of the Motor Vehicle Highway Fund and the Payroll Fund were overdrawn in 2004, and the Water Operating Fund was overdrawn in 2005.

The cash 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)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the audit period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. In one case, receipts from January 2004 were deposited in April 2004.

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."

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$743 were paid to the Internal Revenue Service and the Indiana Department of Revenue for July 2004 and prior periods.

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.

TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

PAYROLL FUND AND PAYROLL DEDUCTIONS

The payroll fund established did not sufficiently detail the transactions related to (1) gross wages and matching expenses receipted to the fund, and (2) various payroll deductions receipted to and paid from the fund. Some of the required transfers were not paid to the payroll fund. The balance in the payroll fund was not periodically identified with a specific withholding account balance.

At all times, the manual and 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)

OFFICIAL BOND

The official bond for the Clerk-Treasurer was not filed in the Office of the County Recorder.

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. . . ."

TOWN OF MILTON
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2006, with Terry Craig, Clerk-Treasurer. The official concurred with our findings.