

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

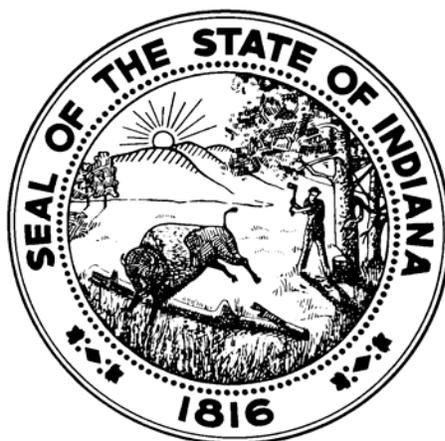
EXAMINATION REPORT

OF

TOWN OF MILLTOWN

CRAWFORD COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
09/19/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information.....	5
Supplementary Information:	
Schedule of Capital Assets.....	6
Schedule of Long-Term Debt.....	7
Examination Results and Comments:	
Deposits.....	8
Timely Recordkeeping	8
Investments Not Authorized by Statute	8-9
Errors on Claims	9
Penalties, Interest and Other Charges	10
Supporting Documentation	10
Advance Payment of Salary	10-11
Overpayment of Salary	11
Payroll Errors and Deficiencies.....	11-12
List of Employees Not Filed With County Treasurer.....	12
Overdrawn Cash Balances	12
Sanitation Charges	12
Capital Asset Records	13
Exit Conference.....	14
Summary	15

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Linda Pevlor

01-01-04 to 12-31-07

President of the Town Council

Curt Hudson

01-01-05 to 12-31-07

Town Manager

James Pevlor

01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MILLTOWN, CRAWFORD COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Milltown (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

July 18, 2007

TOWN OF MILLTOWN
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	\$ 33,727	\$ 177,935	\$ 151,588	\$ 60,074
Motor Vehicle Highway	3,622	28,516	21,151	10,987
Local Road and Street	14,885	6,329	4,125	17,089
Park and Recreation	1,365	446	411	1,400
Law Enforcement Continuing Education	132	866	196	802
Cemetery	14,300	8,880	12,659	10,521
Medical Building	28,168	15,711	13,937	29,942
LEAF Grant	(3,500)	3,500	-	-
Riverboat	158,642	117,230	110,456	165,416
Rainy Day	1,978	-	-	1,978
K-9 Donations	475	2,199	2,609	65
Police Donations Building	68	-	68	-
Police Donations	83	-	83	-
Trash	3,104	47,063	44,154	6,013
Operation Pull Over	-	2,500	2,500	-
Car Seat	1,976	1,017	1,993	1,000
Economic Development Income Tax	26,420	24,004	26,378	24,046
Cumulative Capital Improvement	6,847	6,140	10,106	2,881
Proprietary Funds:				
Wastewater Utility - Operating	(35,487)	183,148	137,393	10,268
Wastewater Utility - Bond and Interest	33	-	33	-
Wastewater Utility - Customer Deposit	7,291	2,285	1,593	7,983
Fiduciary Funds:				
Cemetery Perpetual Care	250,426	60,335	75,288	235,473
Payroll	(76,323)	141,169	169,526	(104,680)
Totals	<u>\$ 438,232</u>	<u>\$ 829,273</u>	<u>\$ 786,247</u>	<u>\$ 481,258</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 60,074	\$ 129,480	\$ 124,980	\$ 64,574
Motor Vehicle Highway	10,987	33,989	18,574	26,402
Local Road and Street	17,089	4,132	2,739	18,482
Park and Recreation	1,400	-	12	1,388
Law Enforcement Continuing Education	802	318	390	730
Cemetery	10,521	6,396	9,450	7,467
Medical Building	29,942	16,715	19,132	27,525
Riverboat	165,416	189,679	119,542	235,553
Rainy Day	1,978	-	-	1,978
K-9 Donations	65	-	-	65
Sanitation	6,013	46,907	46,562	6,358
Car Seat	1,000	-	985	15
Economic Development Income Tax	24,046	26,020	23,476	26,590
Cumulative Capital Improvement	2,881	3,330	-	6,211
Proprietary Funds:				
Wastewater Utility - Operating	10,268	189,437	195,033	4,672
Wastewater Utility - Customer Deposit	7,983	2,014	1,400	8,597
Wastewater Utility - Construction	-	550,000	140,014	409,986
Fiduciary Funds:				
Cemetery Perpetual Care	235,473	125,451	104,880	256,044
Payroll	(104,680)	194,488	156,615	(66,807)
Totals	<u>\$ 481,258</u>	<u>\$ 1,518,356</u>	<u>\$ 963,784</u>	<u>\$ 1,035,830</u>

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

TOWN OF MILLTOWN
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, highway and streets, culture and recreation, public improvements, general administrative services 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.

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. Subsequent Event

On March 14, 2007, the Wastewater Utility issued \$1,163,000 of Rural Development Revenue Bonds. Proceeds from these bonds are being used along with a \$500,000 Community Development Block Grant and \$550,000 in contributions received from Harrison County and Crawford County for an expansion and upgrade to the Town's wastewater treatment plant and collection system.

TOWN OF MILLTOWN
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended 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.

	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Land	\$ 1,635
Buildings	241,614
Improvements other than buildings	458,439
Machinery and equipment	<u>85,750</u>
Total business-type activities capital assets	<u>\$ 787,438</u>

TOWN OF MILLTOWN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital lease:		
Chevy Truck	\$ 9,916	\$ 6,915
Notes and loans payable	<u>178,218</u>	<u>20,138</u>
Total governmental activities long-term debt	<u>\$ 188,134</u>	<u>\$ 27,053</u>

TOWN OF MILLTOWN
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

There were deposits of \$1,000 listed as being in transit on the bank reconciliation for the Wastewater Utility at December 31, 2006. These deposits in transit consisted of \$900 in Customer Deposit collections and \$100 for collection made for backhoe rental. The corresponding receipt dates showed that these collections were made during the period of August 8, 2006 through December 28, 2006. These collections remained on the subsequent bank reconciliations as deposits in transit until March 2007, when they were deposited. The Clerk-Treasurer stated that these were all cash collections that she misplaced and that she subsequently deposited once she had located them.

We also noted numerous other instances during the examination period in which deposits were listed on the monthly bank reconciliations as being in transit until they were subsequently deposited months later. One of these instances included a cemetery collection made on August 4, 2005, in the amount of \$250. This collection was listed as a deposit in transit for 18 months on the Town's monthly bank reconciliation until it was subsequently deposited in March 2007.

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."

TIMELY RECORDKEEPING

We noted instances where collections for customer deposits were not posted to the records until up to four months after the original date of collection.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INVESTMENTS NOT AUTHORIZED BY STATUTE

The Town has invested Cemetery Perpetual Care funds in corporate stocks and in mutual funds that consist of a portfolio of corporate stock. Investments in corporate stocks and mutual funds consisting of corporate stocks are not permissible under state statute.

Indiana Code 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S.C. 80a et seq.)."

"(d) The portfolio of an investment company or investment trust described in subsection (a) must be limited to the following:

TOWN OF MILLTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) Direct obligations of the United States.
- (2) Obligations issued by any of the following:
 - (A) A federal agency.
 - (B) A federal instrumentality.
 - (C) A federal government sponsored enterprise.
- (3) Repurchase agreements fully collateralized by obligations described in subdivision (1) or (2)."

Investments should only be made in accordance with statute. Expenses related to any unauthorized investments may be the personal obligation of the responsible official or employee.

Losses related to investments and investment procedures which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

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

- (1) Claims were not always adequately itemized.
- (2) Claims or invoices did not have evidence to support receipt of goods or services.

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 MILLTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$132.03 were paid to the Indiana Department of Revenue on June 14, 2005, for failure to timely remit Corporate Income Tax for the liability period ending December 31, 2001. The Corporate Income Tax liability was applicable to the Water Utility formerly owned by the Town.

Penalties and Interest totaling \$14.34 were paid to the Internal Revenue Service on September 19, 2005, for failure to timely remit federal payroll tax withholdings for the quarter ending June 30, 2005.

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)

The Clerk-Treasurer, Linda Pevlor, has been requested to reimburse the Wastewater Utility Operating Fund \$132.03 and the Town's Payroll Fund \$14.34. (See Summary, page 15)

SUPPORTING DOCUMENTATION

During the review of claims, we noted two disbursements made from the Wastewater Utility to the Clerk-Treasurer that did not contain supporting documentation. These payments were made on October 26, 2006, and December 12, 2006, in the amount of \$100 and \$450, respectively. The Clerk-Treasurer stated the money was to be used by her to purchase a surge protector and safe for the Wastewater Utility. The Clerk-Treasurer stated she ended up not making the purchases and reimbursed the Wastewater Utility for these payments. We verified that the Clerk-Treasurer did subsequently reimburse \$450 to the Wastewater Utility on March 9, 2007, but had failed to reimburse the \$100 she had received on October 26, 2006.

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)

The Clerk-Treasurer, Linda Pevlor, has been requested to reimburse the Wastewater Utility \$100. (See Summary, page 15)

ADVANCE PAYMENTS OF SALARY

Town employees are paid on a weekly basis. During the examination of payroll for 2006, we noted that the Clerk-Treasurer made advance salary payments to herself on 42 occasions. At certain points during 2006, the amount of advance salary payments she had received were equivalent to three months worth of salary. An additional review of salary payments made from January 1, 2007 to June 15, 2007, showed that

TOWN OF MILLTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

the Clerk-Treasurer had made advance salary payments to herself a total of 38 times. As of June 15, 2007, the Clerk-Treasurer had received advanced payments of her salary for payroll periods through October 5, 2007. The total amount of these advance salary payments at June 15, 2007, was \$7,081.92.

The Clerk-Treasurer has been informed that she is not permitted to make advance salary payments and that she is not to receive any additional compensation for salary until the payroll period ending October 12, 2007.

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)

OVERPAYMENT OF SALARY

During 2005, the Town Manager received \$280 in excess of the salary approved by the Town Council. Additionally, the Town Manager was injured on the job and did not work from the period of December 1, 2005 to December 27, 2005. The Town continued to pay the Town Manager his full weekly salary during the period he was off with his injury. The Town Manager filed for and received workers compensation benefits from the Town's worker compensation insurance carrier in the amount of \$1,542.84. These benefits were paid directly to the Town Manager on December 29, 2006, and were to partially cover for lost wages incurred during the time he was off work due to his injury. Since the Town Manager did not actually incur any lost wages, the benefits received by the Town Manager should have been paid to the Town for reimbursement of the salary paid to him by the Town.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Town Manager, James Pevlor has been requested to reimburse the Town's Payroll Fund \$1,822.84. (See Summary, page 15)

PAYROLL ERRORS AND DEFICIENCIES

The following deficiencies were noted during the review of payroll:

- (1) The salary ordinances did not include the rate of pay for all employees.
- (2) The rate of pay to some employees did not agree with the amounts approved in the salary ordinances.
- (3) Time and attendance reports were not properly approved.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MILLTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of Town employees was not certified to the County Treasurer during the examination period.

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."

OVERDRAWN CASH BALANCES

The cash balance of the Payroll Fund was overdrawn by \$104,680 and \$66,807 at December 31, 2005 and 2006, respectively. This resulted from payroll transfers from the Wastewater Utility not being made at the time the payrolls were paid by the Payroll Fund during the current examination period and prior examination periods. The Wastewater Utility did not have sufficient cash flow to make the transfers, however, all disbursements relating to payroll were paid from the payroll fund.

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)

SANITATION CHARGES

Since 2003, the Town has contracted with Blue River Regional Water District to perform billing and collections services for the Town's sewer and sanitation charges. Town Ordinance No. 2000-1 sets the rate to be charged for sanitation services at \$9.50 per month. During 2005, the Town authorized Blue River Regional Water District to increase the fee charged to the Town's customers to \$10.07 per month. No ordinance was presented for review to indicate that the increase in sanitation fees being charged had been properly approved.

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)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MILLTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Town does not maintain sufficient detailed records of capital assets of the Town. The Town's capital asset ledger has not been updated to account for adjustments reported in these accounts during prior examinations. Deletions or disposals of capital assets were not recorded. In addition, inventories of capital assets were not taken so that capital assets on hand could be reconciled back to the capital asset ledger. Sufficient capital asset records were maintained for the Town's Wastewater Utility.

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)

TOWN OF MILLTOWN
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2007, with Curt Hudson, President of the Town Council; Linda Pevlor, Clerk-Treasurer; and James Pevlor, Town Manager. The officials concurred with our findings.

TOWN OF MILLTOWN
SUMMARY

	Charges	Credits	Balance Due
Linda Pevlor, Clerk-Treasurer			
Penalties, Interest and Other Charges (page 10)	\$ 146.37	\$	\$
Paid by Linda Pevlor, Clerk-Treasurer			
July 10, 2007, Receipts 6892 and 6893		146.37	-
Supporting Documentation (page 10)	100.00		
Paid by Linda Pevlor, Clerk-Treasurer			
July 10, 2007, Receipt 6894		100.00	-
Total for Linda Pevlor, Clerk-Treasurer	246.37	246.37	-
James Pevlor, Town Manager			
Overpayment of Salary (page 11)	1,822.82		
Paid by James Pevlor, Town Manager			
July 10, 2007, Receipt 6890		1,822.82	-
Totals	\$ 2,069.19	\$ 2,069.19	\$ -