

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

EXAMINATION REPORT  
OF  
TOWN OF MILAN  
RIPLEY COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
11/13/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gladys M. Moody	01-01-04 to 12-31-07
President of the Town Council	Paul E. Hildebrand	01-01-05 to 12-31-07
Town Manager	John Ingram	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 MILAN, RIPLEY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Milan (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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 13, 2007

TOWN OF MILAN  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY 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
<b>Governmental Funds:</b>				
General	\$ 127,315	\$ 343,116	\$ 348,967	\$ 121,464
Motor Vehicle Highway	81,249	54,887	41,042	95,094
Local Road and Street	23,680	8,101	943	30,838
Cumulative Capital Improvement	16,427	5,614	15	22,026
Park and Recreation	20,419	17,977	14,063	24,333
EDIT	33,615	20,392	2,867	51,140
Regional Revenue Sharing	750,980	256,130	190,639	816,471
Law Enforcement Continuing Education	643	211	360	494
Riverboat Wagering	5,483	22,902	700	27,685
Payroll	1,892	283,363	283,538	1,717
Beautification Committee Grant	-	500	291	209
Donations and Grants	645	-	45	600
<b>Proprietary Funds:</b>				
Utility Clearing	42,184	857,887	870,951	29,120
Water Utility - Operating	133,205	385,105	388,724	129,586
Water Utility - Customer Deposit	55,321	12,500	10,881	56,940
Wastewater Utility - Operating	55,171	591,323	552,980	93,514
Wastewater Utility - Bond and Interest	154,725	166,352	150,417	170,660
Wastewater Utility - Debt Service Reserve	73,588	34,180	-	107,768
<b>Totals</b>	<b>\$ 1,576,543</b>	<b>\$ 3,060,540</b>	<b>\$ 2,857,423</b>	<b>\$ 1,779,660</b>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 121,464	\$ 331,610	\$ 303,949	\$ 149,125
Motor Vehicle Highway	95,094	66,197	60,152	101,139
Local Road and Street	30,838	7,887	4,422	34,303
Cumulative Capital Improvement	22,026	6,488	10,000	18,514
Park and Recreation	24,333	16,845	27,859	13,319
EDIT	51,140	21,619	18,172	54,587
Regional Revenue Sharing	816,471	213,923	139,174	891,220
Law Enforcement Continuing Education	494	345	-	839
Riverboat Wagering	27,685	11,578	5,402	33,861
Payroll	1,717	277,153	278,870	-
Beautification Committee Grant	209	-	209	-
Donation and Grants	600	1,000	500	1,100
<b>Proprietary Funds:</b>				
Utility Clearing	29,120	825,379	782,313	72,186
Water Utility - Operating	129,586	343,707	362,193	111,100
Water Utility - Customer Deposit	56,940	11,575	7,911	60,604
Wastewater Utility - Operating	93,514	551,761	583,950	61,325
Wastewater Utility - Bond and Interest	170,660	171,620	160,114	182,166
Wastewater Utility - Debt Service Reserve	107,768	38,141	-	145,909
<b>Totals</b>	<b>\$ 1,779,660</b>	<b>\$ 2,896,828</b>	<b>\$ 2,745,190</b>	<b>\$ 1,931,298</b>

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

TOWN OF MILAN  
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 (police) highways and streets, culture and recreation, public improvements, sanitation, general administrative services, 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.

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 MILAN  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. 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 MILAN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Wastewater Utility		
Loans Payable	\$ 2,030,000	\$ 162,830

TOWN OF MILAN  
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer)

The Town does not maintain detailed records of capital assets for its governmental activities or proprietary funds. In addition, the Town and its Utilities have not adopted a capitalization policy.

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)

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

GRANT FUNDS NOT APPROPRIATED (Applies to Clerk-Treasurer)

Records presented for examination showed that the Park and Recreation Fund expenditures made exceeded those approved by \$12,859. The Clerk-Treasurer stated grant monies were received to the Park and Recreation Fund. No additional appropriations were obtained to expend the grant monies from the Park and Recreation Fund.

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."

Where funds are "advanced" directly to the city or town by the federal or state government for a specific purpose prior to making any disbursements by the city or town, the money should be placed in a separate project fund and disbursements subsequently made from that fund. No appropriation of the federal or state funds is required. (Cities and Towns Bulletin, December 2006)

PRESCRIBED FORMS (Applies to Town Marshall)

Prescribed receipts (General Receipts Form 352) were not in use by the Police Department.

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 AND DEPOSITS (Applies to Clerk-Treasurer)

We found where numerous state tax distribution checks were held for several weeks before receipts were issued or recorded. In addition, the receipts were deposited later than the next business day.

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)

TOWN OF MILAN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

DELINQUENT WASTEWATER ACCOUNTS (Applies to Clerk-Treasurer)

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

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. . . ."

EMPLOYEE SERVICE RECORDS (Applies to Clerk Treasurer)

Employee Service Records (Form 99A) are being maintained. However, the service records do not show accumulated vacation and sick leave balances and compensatory time earned and used.

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 MILAN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The Accounts Receivable Aged Trial Balance for the Utilities contained numerous accounts 90 days or more past due. The Officials have pursued collection of these old accounts; however, due to customers moving out of town, bankruptcies, death, etc., some of these accounts may never be collected. Since the Utilities do not have a policy dealing with the writing off of uncollectible accounts, these delinquent accounts have remained on the Accounts Receivable Aged Trial Balance.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MILAN  
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2007, with Gladys M. Moody, Clerk-Treasurer; and John Ingram, Town Manager. The officials concurred with our findings.