

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

EXAMINATION REPORT

OF

TOWN OF MILFORD

KOSCIUSKO COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
11/12/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Charlotte D. Siegfried	01-01-04 to 12-31-11
President of the Town Council	Douglas Ruch Robert Cockburn	01-01-06 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MILFORD, KOSCIUSKO COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Milford (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.

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, 2006 and 2007, 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

October 2, 2008

TOWN OF MILFORD
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

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 339,394	\$ 516,571	\$ 457,968	\$ 397,997
Motor Vehicle Highway	331,671	163,066	166,478	328,259
Local Road and Street	31,533	15,692	26,845	20,380
Park Nonreverting	4,819	1,502	535	5,786
Law Enforcement Continuing Education	4,164	1,430	1,300	4,294
Riverboat	23,276	10,282	-	33,558
Police Equipment Grant	5	-	5	-
Police DEA Grant	92	-	92	-
Drug Confiscation Grant	2,401	93	1,200	1,294
Excess Levy	309	-	-	309
Cumulative Capital Improvement Tax Rate	183,585	40,500	7,070	217,015
Cumulative Capital Improvement Cigarette Tax	49,332	6,535	-	55,867
Cumulative Capital Development	162,478	26,936	-	189,414
Cumulative Sewer	150,351	38,774	13,040	176,085
CEDIT	235,062	105,400	22,941	317,521
Economic Development (TIF)	14,549	41,600	-	56,149
Proprietary Funds:				
Water Utility - Operating	136,176	145,989	146,155	136,010
Water Utility - Depreciation	42,003	7,450	6,765	42,688
Water Utility - Customer Deposit	18,384	2,969	1,825	19,528
Wastewater Utility - Operating	270,274	334,541	499,626	105,189
Wastewater Utility - Bond and Interest	-	145,874	34,524	111,350
Wastewater Utility - Depreciation	82,545	80,038	-	162,583
Wastewater Utility - Reserve	-	27,492	-	27,492
Fiduciary Fund:				
Payroll	1,348	433,026	435,699	(1,325)
Totals	<u>\$ 2,083,751</u>	<u>\$ 2,145,760</u>	<u>\$ 1,822,068</u>	<u>\$ 2,407,443</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 397,997	\$ 535,336	\$ 473,167	\$ 460,166
Motor Vehicle Highway	328,259	172,013	206,188	294,084
Local Road and Street	20,380	15,838	20,000	16,218
Park Nonreverting	5,786	2,010	-	7,796
Law Enforcement Continuing Education	4,294	1,258	734	4,818
Riverboat	33,558	10,878	-	44,436
Drug Confiscation Grant	1,294	29	-	1,323
Police Grants	-	1,445	1,445	-
Excess Levy	309	-	-	309
Cumulative Capital Improvement Tax Rate	217,015	46,891	17,500	246,406
Cumulative Capital Improvement Cigarette Tax	55,867	7,139	20,000	43,006
Cumulative Capital Development	189,414	29,179	12,152	206,441
Cumulative Sewer	176,085	43,387	66,282	153,190
CEDIT	317,521	119,057	97,700	338,878
Economic Development (TIF)	56,149	47,753	26,444	77,458
Proprietary Funds:				
Water Utility - Operating	136,010	165,198	153,375	147,833
Water Utility - Depreciation	42,688	7,558	5,304	44,942
Water Utility - Customer Deposit	19,528	3,037	2,457	20,108
Wastewater Utility - Operating	105,189	350,242	427,806	27,625
Wastewater Utility - Bond and Interest	111,350	136,597	241,122	6,825
Wastewater Utility - Depreciation	162,583	6,681	31,468	137,796
Wastewater Utility - Reserve	27,492	27,492	-	54,984
Fiduciary Fund:				
Payroll	(1,325)	443,533	442,207	1
Totals	<u>\$ 2,407,443</u>	<u>\$ 2,172,551</u>	<u>\$ 2,245,351</u>	<u>\$ 2,334,643</u>

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

TOWN OF MILFORD
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, highways and streets, culture and recreation, general administrative services, and water and wastewater 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. 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 MILFORD
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

As of December 31, 2007

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>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 45,049
Buildings	1,096,511
Improvements other than buildings	56,944
Machinery and equipment	<u>479,153</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,677,657</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 9,065
Buildings	39,005
Improvements other than buildings	914,601
Machinery and equipment	<u>191,368</u>
 Total Water Utility capital assets	 <u>1,154,039</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	10,322
Buildings	2,053,438
Improvements other than buildings	1,009,962
Machinery and equipment	<u>122,793</u>
 Total Wastewater Utility capital assets	 <u>3,196,515</u>
 Total business-type activities capital assets	 <u>\$ 4,350,554</u>

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

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
2004 Improvements	\$ 1,580,000	\$ 139,148

TOWN OF MILFORD
EXAMINATION RESULTS AND COMMENTS

APPROVAL OF ACCOUNTS PAYABLE VOUCHERS

Ninety-three percent of accounts payable vouchers tested were not approved by the officer or person receiving the goods or services.

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

SUPPORTING DOCUMENTATION

Twenty percent of accounts payable vouchers tested were not accompanied by adequate supporting documentation, such as receipts, invoices, and other public records. One was for a payment to a credit card company based on a statement, but not all invoices were attached. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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)

PUBLIC WORKS PROJECTS

On May 8, 2006, the Town Council approved a quote for street paving in the amount of \$55,845. On August 13, 2007, the Town Council approved a quote for paving sections of several streets in the amount of \$88,089. For both of these projects, the Town failed to prepare plans and specifications and publish notice calling for sealed proposals.

Indiana Code 36-1-12-4(a) states: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under IC 13-26; (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

TOWN OF MILFORD
EXAMINATION RESULTS AND COMMENTS
(Continued)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

The Clerk-Treasurer did not file a list of officials or employees of the Town who had money due from the Town with the County Treasurer. The Clerk-Treasurer explained that she filed the lists with the County Auditor.

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."

EMPLOYEE SERVICE RECORD

The Employee Service Record, Form 99A, for some employees was incomplete. Unused vacation leave and sick leave balances were not calculated on some employees. The 2007 service records for police officers show no vacation or sick leave used. The Clerk-Treasurer explained that the police have not turned in their vacation or sick leave 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)

ORDINANCES AND RESOLUTIONS

The Clerk-Treasurer's office is posting an employee's payroll to funds in a proportion that is different than the proportion established by the Town Council salary ordinance.

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)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

As stated in the prior Report B26962, Wastewater gross revenues were not being distributed to the various utility funds in accordance with Revenue Bond Ordinance 2004-02. The bond ordinance requires sufficient balance in the Wastewater Operating Fund to pay the expenses of operation, repair and maintenance for the next succeeding two months. Based on the net monthly expenditures for 2006 and 2007, this required balance is \$42,915. The December 31, 2007, operating fund cash balance is \$27,625, which is \$15,290 less than the required balance.

The bond ordinance requires the balance accumulated in the wastewater debt reserve fund to be the least of the maximum annual debt service, \$142,550, or 125% of the average annual debt service, \$137,456, or 10% of the bond principal, \$185,550. Monthly deposits shall be equal in amount and sufficient to accumulate the reserve requirement within five years of the date of the delivery of the bonds. Since the bonds were sold July 1, 2004, the accumulated reserve at December 31, 2007, should be \$96,219. The December 31, 2007, Debt Reserve Fund cash balance is \$54,984, which is \$41,235 less than the required amount.

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)

TOWN OF MILFORD
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2008, with Charlotte D. Siegfried, Clerk-Treasurer; and with Robert Cockburn, President of the Town Council. The officials concurred with our findings.