

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, 2007 to December 31, 2008



FILED
12/29/2009

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	5-6
Supplementary Information:	
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Capital Asset Records	8
Bad Debts and Uncollectible Accounts	8
Exit Conference.....	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gladys M. Moody	01-01-04 to 12-31-11
President of the Town Council	Paul E. Hildebrand	01-01-07 to 12-31-09
Town Manager	John Ingram	01-01-07 to 12-31-09



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, 2007 to December 31, 2008. 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, 2007 and 2008, 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

October 22, 2009

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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 149,125	\$ 261,222	\$ 329,355	\$ 80,992
Motor Vehicle Highway	101,139	64,834	69,935	96,038
Local Road and Street	34,303	7,930	7,606	34,627
Park and Recreation	13,319	7,886	6,801	14,404
Law Enforcement Continuing Education	839	822	-	1,661
Riverboat	33,861	-	5,702	28,159
EDIT	54,587	24,281	2,595	76,273
Donations and Grants	1,100	-	-	1,100
Regional Revenue Sharing	891,220	176,482	93,666	974,036
Cumulative Capital Improvement	18,514	6,378	15,000	9,892
Beautification Committee Grant	-	6,500	-	6,500
Proprietary Funds:				
Utility Clearing	72,186	838,203	863,460	46,929
Water Utility - Operating	111,100	401,077	398,980	113,197
Water Utility - Customer Deposit	60,604	11,800	11,370	61,034
Wastewater Utility - Operating	61,325	578,532	532,624	107,233
Wastewater Utility - Bond and Interest	182,166	172,774	161,380	193,560
Wastewater Utility - Debt Service Reserve	145,909	31,880	-	177,789
Totals	<u>\$ 1,931,297</u>	<u>\$ 2,590,601</u>	<u>\$ 2,498,474</u>	<u>\$ 2,023,424</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 80,992	\$ 370,721	\$ 339,396	\$ 112,317
Motor Vehicle Highway	96,038	48,590	68,081	76,547
Local Road and Street	34,627	7,477	9,413	32,691
Park and Recreation	14,404	7,774	6,645	15,533
Law Enforcement Continuing Education	1,661	923	1,879	705
Riverboat	28,159	22,843	15,399	35,603
EDIT	76,273	25,731	11,042	90,962
Donations and Grants	1,100	285	190	1,195
Regional Revenue Sharing	974,036	246,603	256,796	963,843
Cumulative Capital Improvement	9,892	5,906	9,075	6,723
Beautification Committee Grant	6,500	250	6,500	250
Proprietary Funds:				
Utility Clearing	46,929	779,797	806,422	20,304
Water Utility - Operating	113,197	327,231	320,650	119,778
Water Utility - Customer Deposit	61,034	12,434	12,981	60,487
Wastewater Utility - Operating	107,233	607,629	589,908	124,954
Wastewater Utility - Bond and Interest	193,560	166,882	161,233	199,209
Wastewater Utility - Debt Service Reserve	177,789	2,773	17,177	163,385
Totals	<u>\$ 2,023,424</u>	<u>\$ 2,633,849</u>	<u>\$ 2,632,787</u>	<u>\$ 2,024,486</u>

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, highways and streets, culture and recreation, public improvements, sanitation, water, wastewater, 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.

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.

TOWN OF MILAN
NOTES TO FINANCIAL INFORMATION
(Continued)

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. 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, 2008

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:		
Loans payable	\$ 1,827,000	\$ 134,319

TOWN OF MILAN
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

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)

A similar comment was made in prior Report B31021.

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.

A similar comment was made in prior Report B31021.

TOWN OF MILAN
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2009, with Gladys M. Moody, Clerk-Treasurer; and John Ingram, Town Manager. The officials concurred with our findings.