

**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, 2008 to December 31, 2009



**FILED**  
11/18/2010



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Charlotte D. Siegfried

01-01-08 to 12-31-11

President of the  
Town Council

Robert Cockburn

01-01-08 to 12-31-10



**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, 2008 to December 31, 2009. 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, 2008 and 2009, 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. The Schedule has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the Schedule.

STATE BOARD OF ACCOUNTS

September 1, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 460,166	\$ 371,189	\$ 480,025	\$ 351,330
Motor Vehicle Highway	294,084	99,397	223,816	169,665
Local Road and Street	16,218	14,852	10,000	21,070
Park Nonreverting	7,796	1,521	300	9,017
Law Enforcement Continuing Education	4,818	1,351	990	5,179
Riverboat	44,436	10,529	5,805	49,160
Drug Confiscation Grant	1,323	-	-	1,323
Police Grants	-	4,846	4,846	-
Levy Excess	309	3,275	-	3,584
Community Building/Center	-	12,476	767	11,709
Rainy Day	-	33,811	-	33,811
Cumulative Capital Improvement Tax Rate	246,406	26,170	21,999	250,577
Cumulative Capital Improvement Cigarette Tax	43,006	5,655	-	48,661
Cumulative Capital Development	206,441	15,687	3,598	218,530
Cumulative Sewer	153,190	23,601	66,862	109,929
CEDIT	338,878	126,656	74,477	391,057
Economic Development (TIF)	77,458	21,125	-	98,583
Proprietary Funds:				
Water Utility - Operating	147,833	137,655	148,283	137,205
Water Utility - Depreciation	44,942	6,557	8,565	42,934
Water Utility - Customer Deposit	20,108	2,832	2,435	20,505
Wastewater Utility - Operating	27,625	377,328	383,724	21,229
Wastewater Utility - Bond and Interest	6,825	92,765	139,147	(39,557)
Wastewater Utility - Depreciation	137,796	3,545	35,000	106,341
Wastewater Utility - Reserve	54,984	18,328	-	73,312
Fiduciary Fund:				
Payroll	1	460,811	460,751	61
Totals	<u>\$ 2,334,643</u>	<u>\$ 1,871,962</u>	<u>\$ 2,071,390</u>	<u>\$ 2,135,215</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 351,330	\$ 676,272	\$ 454,300	\$ 573,302
Motor Vehicle Highway	169,665	202,734	206,395	166,004
Local Road and Street	21,070	13,791	10,000	24,861
Park Nonreverting	9,017	1,670	5,200	5,487
Law Enforcement Continuing Education	5,179	1,512	667	6,024
Riverboat	49,160	9,780	13,800	45,140
Drug Confiscation Grant	1,323	12	-	1,335
Police Grants	-	6,840	6,840	-
Levy Excess	3,584	-	-	3,584
Community Building/Center	11,709	5,280	10,897	6,092
Rainy Day	33,811	6,581	11,899	28,493
Cumulative Capital Improvement Tax Rate	250,577	56,036	10,000	296,613
Cumulative Capital Improvement Cigarette Tax	48,661	12,161	-	60,822
Cumulative Capital Development	218,530	30,992	-	249,522
Cumulative Sewer	109,929	53,925	3,080	160,774
CEDIT	391,057	129,757	15,342	505,472
Economic Development (TIF)	98,583	121,912	-	220,495
Proprietary Funds:				
Water Utility - Operating	137,205	119,778	154,261	102,722
Water Utility - Depreciation	42,934	5,318	5,214	43,038
Water Utility - Customer Deposit	20,505	3,520	2,030	21,995
Wastewater Utility - Operating	21,229	327,515	409,540	(60,796)
Wastewater Utility - Bond and Interest	(39,557)	114,206	136,522	(61,873)
Wastewater Utility - Depreciation	106,341	107	6,512	99,936
Wastewater Utility - Reserve	73,312	22,910	-	96,222
Fiduciary Fund:				
Payroll	61	470,769	472,342	(1,512)
Totals	<u>\$ 2,135,215</u>	<u>\$ 2,393,378</u>	<u>\$ 1,934,841</u>	<u>\$ 2,593,752</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, health and social services, culture and recreation, general administrative, 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 LONG-TERM DEBT  
 December 31, 2009

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	\$ 1,430,000	\$ 133,898

TOWN OF MILFORD  
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The prescribed form, Guarantee Deposit Receipt No. 310, was not being used for collection of meter deposits after May 2, 2008. Officials were using unnumbered billing stubs for these receipts. Collections of meter deposit collections were posted in the receipts ledger in total monthly, instead of by receipt number.

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)

HYDRANT RENTAL

The Town paid the Water Utility hydrant rental of \$15,500 per year for the years 2008 and 2009. Pursuant to Rate Ordinance 2001-6 passed by the Council in 2001, rental should have been \$13,725, based on 61 hydrants at \$225.

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)

UTILITY RECEIPT TAX RETURNS

Utility receipt tax returns for 2008 and 2009 were not presented for audit. Payments of \$480 per quarter were made in 2008 and 2009, but the Clerk-Treasurer could not find the tax returns or determine whether there was a refund that should have been received or applied to the subsequent year.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balance of the Wastewater Bond and Interest Fund was overdrawn as of December 31, 2008, and December 31, 2009, \$39,557 and \$61,873, respectively. Also, the Wastewater Operating Fund was overdrawn as of December 31, 2009, \$60,796.

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)

TOWN OF MILFORD  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

SUPPORTING DOCUMENTATION

One of nine payments in our disbursements test did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established. A similar exception was included in the prior Report B33212.

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)

COUNCIL APPROVING VOUCHERS

In our sample disbursement test, we found instances where the Council signed the voucher register to approve paying the voucher, after the voucher had already been paid. Examples include: voucher 30658, \$3,000 for park ATV vehicle, signed August 8, 2008, voucher paid July 18; voucher 31682, \$32,046 for dump truck, signed July 9, 2009, voucher paid June 15; and voucher 31691, \$559 for postage, signed July 9, 2009, voucher paid June 22.

In our test, we also found a voucher paid on November 10, 2009, No. 32132, \$19,750 for Park mound system, that was not listed on any voucher register approved by the Council.

IC 5-11-10-1.6(c) states in part:

"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."

POSTING ERRORS

The Riverboat Fund shows \$13,800 disbursed in 2009, but only a \$10,000 budget. The Clerk-Treasurer explained that a \$10,000 disbursement posted to the Riverboat Fund should have been posted to another fund. After we brought this to the Clerk-Treasurer's attention, she made a correction transfer.

TOWN OF MILFORD  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (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)

APPROPRIATIONS

The records presented for examination indicated the CEDIT Fund disbursed \$15,342 in 2009, but there was no budget.

IC 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."

COMPENSATION AND BENEFITS

The Town Marshal's 2009 salary shown in the Town Council approved salary ordinance was "up to \$47,500". For the first three months of 2009 his salary was paid at a rate equal to an annual salary of \$47,500. For the months of April through September, he received a 3% higher rate of pay and for the months of October through December, he received an additional 3% increase in his rate of pay. The Town Council minutes do not show any approval of these increases in the Town Marshal's compensation.

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)

PARK CONCESSIONS

Park Board minutes describe a concession stand located at the park's beach. None of the sales receipts or commissions from sales are receipted into the Town funds. Town officials explained that the park caretaker operates the concession stand. The caretaker purchases the products sold and keeps all sales receipts. No contract was presented for our examination that authorized the caretaker to operate the concession stand and keep all collections.

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit. Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MILFORD  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Proceeds generated by the sale or rental of property should be receipted into the fund which originally purchased the property unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WASTEWATER BOND ORDINANCE REQUIREMENTS

The wastewater operating fund had a negative December 31, 2009, cash balance of \$60,796. The bond ordinance requires that there be sufficient balance in the operating fund equal to two months expenditures.

At December 31, 2009, the Wastewater principal and interest fund had a negative cash balance of \$61,873. The bond ordinance requires that there be sufficient balance in the bond and interest fund to meet the next debt payment due. Since the debt payment due January 1, 2010, was paid in December 2009, there should be a zero balance at December 31, 2009.

The Wastewater debt reserve fund had a December 31, 2009, cash balance of \$96,222. The bond ordinance requires an adequate reserve balance calculated to be \$137,456 at December 31, 2009.

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) A similar audit exception was included in the previous audit report, file number B33212

DELINQUENT WASTEWATER ACCOUNTS

Delinquent Wastewater fees and penalties had not been recorded with the County Recorder since 2007 nor were they certified to the County Auditor which would result in a lien against the property. There are delinquent wastewater accounts that qualify.

IC 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;and

TOWN OF MILFORD  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(C) The amount of the delinquent fees, together with the penalty; or

(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. . . ."

CAPITAL ASSET RECORDS

No capital asset records were presented for our examination.

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)

TOWN OF MILFORD  
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2010, with Charlotte D. Siegfried, Clerk-Treasurer. The official concurred with our findings. The President of the Town Council was invited but did not attend.