

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF MILAN
RIPLEY COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
03/07/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gladys M. Moody (deceased) (Vacant) Dale Holbert	01-01-08 to 01-27-13 01-28-13 to 01-31-13 02-01-13 to 12-31-15
President of the Town Council	Paul E. Hildebrand	01-01-11 to 12-31-14
Town Manager	Johnnie R. Ingram	01-01-11 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MILAN, RIPLEY COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Milan (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (Indiana Code 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (Indiana Code 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior period.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 4, 2014, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Paul D. Joyce, CPA
State Examiner

February 4, 2014



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF MILAN, RIPLEY COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Milan (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated February 4, 2014, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-001 and 2012-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town Of Milan's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 4, 2014

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

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TOWN OF MILAN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-11	Receipts	Disbursements	12-31-11	Receipts	Disbursements	12-31-12
General Fund	\$ 65,034	\$ 337,677	\$ 351,898	\$ 50,813	\$ 357,720	\$ 347,632	\$ 60,901
MVH	43,948	47,585	61,258	30,275	48,119	53,290	25,104
LRS	30,594	7,096	2,556	35,134	7,028	942	41,220
Law Enforcement Continuing Education	899	574	505	968	1,371	691	1,648
Riverboat	586,665	158,406	131,223	613,848	178,572	152,816	639,604
Rainy Day	13,472	-	4,332	9,140	-	-	9,140
Cumulative Capital Improvement Cigarette Tax	11,625	5,215	1,430	15,410	5,037	3,685	16,762
County Economic Development Income Tax	126,960	19,591	44,276	102,275	23,681	59,395	66,561
Storm Water Improvement Grant CF 10-209	-	38,920	38,920	-	561,080	561,080	-
Baylor Foundation Flags	810	-	-	810	-	-	810
Duke Energy Grant	5,000	-	-	5,000	-	-	5,000
Betty Platt Memorial Donation	-	285	-	285	-	-	285
Storm Drainage RS Grant	-	40,000	28,727	11,273	-	11,273	-
Special Police Fund Fines	-	200	-	200	-	-	200
Boone Memorial Tree Donation	-	14	-	14	-	-	14
Park Vandalism Repair	-	6,450	3,250	3,200	-	3,200	-
Baylor Foundation Walking Trail Lights	-	5,000	-	5,000	5,208	10,208	-
Police K-9 Fund	-	-	-	-	12,154	7,902	4,252
Milan 54 Museum Lawrenceburg Grant	-	-	-	-	50,000	50,000	-
PERF	-	-	-	-	2,835	2,257	578
HSA	-	-	-	-	7,589	7,564	25
Levy Excess	-	-	-	-	1,302	-	1,302
Wagering Tax	21,841	11,365	9,924	23,282	11,250	5,557	28,975
Park And Recreation	15,359	7,343	6,487	16,215	2,875	6,555	12,535
Ripley County Economic Development Grant	16,000	-	16,000	-	-	-	-
Payroll	3,760	333,795	333,398	4,157	332,270	332,893	3,534
Utility Clearance	17,900	757,172	756,849	18,223	830,288	801,781	46,730
Wastewater Utility	150,923	560,507	624,189	87,241	546,153	564,679	68,715
Wastewater Utility Bond And Interest	204,204	163,200	161,220	206,184	163,200	160,671	208,713
Wastewater Utility Debt Reserve	163,327	-	2	163,325	-	-	163,325
Water Utility	111,832	301,242	376,072	37,002	355,042	368,278	23,766
Water Utility Customer Deposit	65,473	8,900	5,910	68,463	8,900	6,591	70,772
Totals	\$ 1,655,626	\$ 2,810,537	\$ 2,958,426	\$ 1,507,737	\$ 3,511,674	\$ 3,518,940	\$ 1,500,471

The notes to the financial statement are an integral part of this statement.

TOWN OF MILAN
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, general administrative services, water, wastewater, storm water, and trash.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (Indiana Code 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: dog tax licenses, building and planning permits, and gun permits.

TOWN OF MILAN
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: copies of public records, copy machine charges, accident report copies, gun permit applications, park rental fees, cable tv receipts, ordinance violations, fines and fees, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

TOWN OF MILAN
NOTES TO FINANCIAL STATEMENT
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (Indiana Code 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF MILAN
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (Indiana Code 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 (Indiana Code 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

TOWN OF MILAN
NOTES TO FINANCIAL STATEMENT
(Continued)

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF MILAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	MVH	LRS	Law Enforcement Continuing Education	Riverboat	Rainy Day	Cumulative Capital Improvement Cigarette Tax	County Economic Development Income Tax	Storm Water Improvement Grant CF 10-209
Cash and investments - beginning	\$ 65,034	\$ 43,948	\$ 30,594	\$ 899	\$ 586,665	\$ 13,472	\$ 11,625	\$ 126,960	\$ -
Receipts:									
Taxes	150,650	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	510	-	-	-	-	-
Intergovernmental	88,748	47,585	7,096	-	-	-	5,215	19,591	38,920
Charges for services	69,939	-	-	64	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	28,340	-	-	-	158,406	-	-	-	-
Total receipts	337,677	47,585	7,096	574	158,406	-	5,215	19,591	38,920
Disbursements:									
Personal services	190,730	54,434	-	-	-	-	-	-	-
Supplies	20,752	-	-	-	11,744	-	-	-	-
Other services and charges	140,035	-	2,311	505	13,825	4,332	-	-	-
Capital outlay	381	6,824	245	-	102,774	-	1,430	44,276	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	2,880	-	-	-	38,920
Total disbursements	351,898	61,258	2,556	505	131,223	4,332	1,430	44,276	38,920
Excess (deficiency) of receipts over disbursements	(14,221)	(13,673)	4,540	69	27,183	(4,332)	3,785	(24,685)	-
Cash and investments - ending	\$ 50,813	\$ 30,275	\$ 35,134	\$ 968	\$ 613,848	\$ 9,140	\$ 15,410	\$ 102,275	\$ -

TOWN OF MILAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Baylor Foundation Flags	Duke Energy Grant	Betty Platt Memorial Donation	Storm Drainage RS Grant	Special Police Fund Fines	Boone Memorial Tree Donation	Park Vandalism Repair	Baylor Foundation Walking Trail Lights
Cash and investments - beginning	\$ 810	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	285	40,000	200	14	6,450	5,000
Total receipts	-	-	285	40,000	200	14	6,450	5,000
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	28,727	-	-	3,250	-
Total disbursements	-	-	-	28,727	-	-	3,250	-
Excess (deficiency) of receipts over disbursements	-	-	285	11,273	200	14	3,200	5,000
Cash and investments - ending	\$ 810	\$ 5,000	\$ 285	\$ 11,273	\$ 200	\$ 14	\$ 3,200	\$ 5,000

TOWN OF MILAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Police K-9 Fund	Milan 54 Museum Lawrenceburg Grant	PERF	HSA	Levy Excess	Wagering Tax	Park And Recreation	Ripley County Economic Development Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,841	\$ 15,359	\$ 16,000
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	6,950	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	11,365	393	-
Total receipts	-	-	-	-	-	11,365	7,343	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	9,923	6,437	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	1	50	16,000
Total disbursements	-	-	-	-	-	9,924	6,487	16,000
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	1,441	856	(16,000)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,282	\$ 16,215	\$ -

TOWN OF MILAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Payroll	Utility Clearance	Wastewater Utility	Wastewater Utility Bond And Interest	Wastewater Utility Debt Reserve	Water Utility	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 3,760	\$ 17,900	\$ 150,923	\$ 204,204	\$ 163,327	\$ 111,832	\$ 65,473	\$ 1,655,626
Receipts:								
Taxes	-	-	-	-	-	16,378	-	167,028
Licenses and permits	-	-	-	-	-	-	-	510
Intergovernmental	-	-	-	-	-	-	-	207,155
Charges for services	-	-	-	-	-	-	-	76,953
Utility fees	-	-	388,449	-	-	282,309	-	670,758
Penalties	-	-	10,837	-	-	2,555	-	13,392
Other receipts	333,795	757,172	161,221	163,200	-	-	8,900	1,674,741
Total receipts	333,795	757,172	560,507	163,200	-	301,242	8,900	2,810,537
Disbursements:								
Personal services	-	-	-	-	-	-	-	245,164
Supplies	-	-	-	-	-	-	-	32,496
Other services and charges	-	-	-	-	-	-	-	177,368
Capital outlay	-	-	56,834	-	-	54,514	-	267,278
Utility operating expenses	-	-	237,379	-	-	299,886	-	537,265
Other disbursements	333,398	756,849	329,976	161,220	2	21,672	5,910	1,698,855
Total disbursements	333,398	756,849	624,189	161,220	2	376,072	5,910	2,958,426
Excess (deficiency) of receipts over disbursements	397	323	(63,682)	1,980	(2)	(74,830)	2,990	(147,889)
Cash and investments - ending	\$ 4,157	\$ 18,223	\$ 87,241	\$ 206,184	\$ 163,325	\$ 37,002	\$ 68,463	\$ 1,507,737

TOWN OF MILAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General Fund	MVH	LRS	Law Enforcement Continuing Education	Riverboat	Rainy Day	Cumulative Capital Improvement Cigarette Tax	County Economic Development Income Tax	Storm Water Improvement Grant CF 10-209
Cash and investments - beginning	\$ 50,813	\$ 30,275	\$ 35,134	\$ 968	\$ 613,848	\$ 9,140	\$ 15,410	\$ 102,275	\$ -
Receipts:									
Taxes	168,086	-	-	-	-	-	-	-	-
Licenses and permits	-	50	-	1,170	-	-	-	-	-
Intergovernmental	106,840	48,059	7,028	-	-	-	5,037	23,681	561,080
Charges for services	69,488	10	-	176	-	-	-	-	-
Fines and forfeits	6,488	-	-	25	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	6,818	-	-	-	178,572	-	-	-	-
Total receipts	357,720	48,119	7,028	1,371	178,572	-	5,037	23,681	561,080
Disbursements:									
Personal services	196,805	48,599	-	-	-	-	-	-	-
Supplies	1,970	-	250	-	-	-	487	-	-
Other services and charges	144,260	-	691	630	91,061	-	-	-	-
Capital outlay	237	4,691	1	-	19,525	-	3,198	59,395	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	4,360	-	-	61	42,230	-	-	-	561,080
Total disbursements	347,632	53,290	942	691	152,816	-	3,685	59,395	561,080
Excess (deficiency) of receipts over disbursements	10,088	(5,171)	6,086	680	25,756	-	1,352	(35,714)	-
Cash and investments - ending	\$ 60,901	\$ 25,104	\$ 41,220	\$ 1,648	\$ 639,604	\$ 9,140	\$ 16,762	\$ 66,561	\$ -

TOWN OF MILAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Baylor Foundation Flags	Duke Energy Grant	Betty Platt Memorial Donation	Storm Drainage RS Grant	Special Police Fund Fines	Boone Memorial Tree Donation	Park Vandalism Repair	Baylor Foundation Walking Trail Lights
Cash and investments - beginning	\$ 810	\$ 5,000	\$ 285	\$ 11,273	\$ 200	\$ 14	\$ 3,200	\$ 5,000
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	5,208
Total receipts	-	-	-	-	-	-	-	5,208
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	10,208
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	11,273	-	-	3,200	-
Total disbursements	-	-	-	11,273	-	-	3,200	10,208
Excess (deficiency) of receipts over disbursements	-	-	-	(11,273)	-	-	(3,200)	(5,000)
Cash and investments - ending	<u>\$ 810</u>	<u>\$ 5,000</u>	<u>\$ 285</u>	<u>\$ -</u>	<u>\$ 200</u>	<u>\$ 14</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF MILAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Police K-9 Fund	Milan 54 Museum Lawrenceburg Grant	PERF	HSA	Levy Excess	Wagering Tax	Park And Recreation	Ripley County Economic Development Grant
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,282	\$ 16,215	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	2,825	-
Fines and forfeits	-	-	-	-	-	-	50	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	12,154	50,000	2,835	7,589	1,302	11,250	-	-
Total receipts	12,154	50,000	2,835	7,589	1,302	11,250	2,875	-
Disbursements:								
Personal services	-	-	2,257	7,564	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	557	6,555	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	7,902	50,000	-	-	-	5,000	-	-
Total disbursements	7,902	50,000	2,257	7,564	-	5,557	6,555	-
Excess (deficiency) of receipts over disbursements	4,252	-	578	25	1,302	5,693	(3,680)	-
Cash and investments - ending	\$ 4,252	\$ -	\$ 578	\$ 25	\$ 1,302	\$ 28,975	\$ 12,535	\$ -

TOWN OF MILAN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll	Utility Clearance	Wastewater Utility	Wastewater Utility Bond And Interest	Wastewater Utility Debt Reserve	Water Utility	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 4,157	\$ 18,223	\$ 87,241	\$ 206,184	\$ 163,325	\$ 37,002	\$ 68,463	\$ 1,507,737
Receipts:								
Taxes	-	-	-	-	-	19,572	-	187,658
Licenses and permits	-	-	-	-	-	-	-	1,220
Intergovernmental	-	-	-	-	-	-	-	751,725
Charges for services	-	-	-	-	-	-	-	72,499
Fines and forfeits	-	-	-	-	-	-	-	6,563
Utility fees	-	-	374,268	-	-	331,923	-	706,191
Penalties	-	-	10,414	-	-	3,547	-	13,961
Other receipts	332,270	830,288	161,471	163,200	-	-	8,900	1,771,857
Total receipts	332,270	830,288	546,153	163,200	-	355,042	8,900	3,511,674
Disbursements:								
Personal services	-	-	-	-	-	-	-	255,225
Supplies	-	-	-	-	-	-	-	2,707
Other services and charges	-	-	-	-	-	-	-	243,754
Capital outlay	-	-	-	-	-	-	-	97,255
Utility operating expenses	-	-	248,957	-	-	338,002	-	586,959
Other disbursements	332,893	801,781	315,722	160,671	-	30,276	6,591	2,333,040
Total disbursements	332,893	801,781	564,679	160,671	-	368,278	6,591	3,518,940
Excess (deficiency) of receipts over disbursements	(623)	28,507	(18,526)	2,529	-	(13,236)	2,309	(7,266)
Cash and investments - ending	\$ 3,534	\$ 46,730	\$ 68,715	\$ 208,713	\$ 163,325	\$ 23,766	\$ 70,772	\$ 1,500,471

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TOWN OF MILAN
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater: General obligation bonds	Wastewater Improvement	\$ 1,383,000	\$ 141,437
Totals		<u>\$ 1,383,000</u>	<u>\$ 141,437</u>

TOWN OF MILAN
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Reports for 2011 and 2012 were not filed electronically until April 13, 2012, and July 16, 2013, respectively.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

DELINQUENT WASTEWATER ACCOUNTS

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.

Delinquent accounts at December 31, 2012, represent a significant percentage of the total accounts receivable as shown in the following schedule:

	Wastewater Utility
Accounts Receivable	\$ 96,038.39
Accounts Over 90 Days Delinquent	69,777.59
90 Days Delinquent as a Percentage of Accounts Receivable	73%

TOWN OF MILAN
AUDIT RESULTS AND COMMENTS
(Continued)

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."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TOWN OF MILAN, RIPLEY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Milan's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of January 1, 2011 to December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

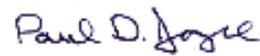
Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

February 4, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

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TOWN OF MILAN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2011 and 2012

Federal Grantor Agency/ Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii					
	Indiana Office of Community and Rural Affairs	14.228	EDS# A192-11-CF-10-209	\$ 38,920	\$ 561,080
Total federal awards expended				<u>\$ 38,920</u>	<u>\$ 561,080</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF MILAN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Milan and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (Indiana Code 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF MILAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

_____ Name of Federal Program or Cluster _____

CDBG – State-Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, cash and investment balances, or the preparation of the financial statement, and Schedule of Expenditures of Federal Awards. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

TOWN OF MILAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Dale Holbert, Clerk-Treasurer, stated that the lack of segregation of duties is due to the Clerk-Treasurer's Office having a small number of staff members.

2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINDING 2012-002 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



Town of Milan
Dale Holbert
Clerk Treasurer
PO Box 86
211 West Carr Street
Milan, Indiana 47031
812 654 3407

February 4, 2014

Finding 2012-001 Internal Controls over financial transactions and reports.

Contact: Dale Holbert
Title: Clerk/Treasurer
Phone: 812 654 3407

In response to the finding of 2012-001 Lack of Segregation of Duties and Preparing Financial Statements. Effective 3/1/2014 controls will be put into place to ensure that all work is checked by a town employee other than the Clerk/Treasurer. This will include all financial activities of the town.

Finding 2012-002 Internal Controls over the preparation of the Schedule of Expenditures of Federal Awards.

Contact: Dale Holbert
Title: Clerk/Treasurer
Phone: 812 654 3407

In response to the finding of 2012-002 Internal Controls over the preparation of the Schedule of Expenditures of Federal Awards. Effective 3/1/2014 controls will be put into place that will prevent errors in the preparation of the SEFA. The Clerk/Treasurer will work with the Town Manager to provide reasonable assurance regarding the reliability of the financial reporting of the SEFA. All federal funding will be included in the SEFA and approved by the Town Manager or Town Council.

A handwritten signature in black ink, appearing to read 'Paul Hildebrand', written over a horizontal line.

Paul Hildebrand
Town Board President
2/4/2014

A handwritten signature in black ink, appearing to read 'Dale Holbert', written over a horizontal line.

Dale Holbert
Clerk Treasurer
2/4/2104

TOWN OF MILAN
EXIT CONFERENCE

The contents of this report were discussed on February 4, 2014, with Dale Holbert, Clerk-Treasurer; Paul E. Hildebrand, President of the Town Council; and Johnnie R. Ingram, Town Manager. The officials concurred with our audit findings.