

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

EXAMINATION REPORT
OF
TOWN OF MILLERSBURG
ELKHART COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
11/06/2008

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 Capital Assets.....	7
Schedule of Long-Term Debt	8
Examination Results and Comments:	
2007 Annual Report.....	9
Payroll Fund Reconciliations	9
Exit Conference.....	10

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Wanda R. Chupp
Patricia Barhydt

01-01-04 to 12-31-07
01-01-08 to 12-31-11

President of the Town Council

James R. Winkler

01-01-04 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MILLERSBURG, ELKHART COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Millersburg (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

September 24, 2008

TOWN OF MILLERSBURG
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	\$ 35,819	\$ 305,566	\$ 305,744	\$ 35,641
Motor Vehicle Highway	55,747	51,325	29,116	77,956
Local Road and Street	18,363	11,513	6,006	23,870
Park and Recreation	19,273	29,930	48,438	765
Park Nonreverting Operating	32,332	15,206	11,333	36,205
Law Enforcement Continuing Education	17,916	16,534	6,923	27,527
Riverboat	12,199	5,462	-	17,661
Rainy Day	2,405	-	-	2,405
Federal Grants	50,000	304,700	354,700	-
State Grants	480	5,444	5,924	-
Cumulative Capital Improvement	1,934	3,101	3,499	1,536
Cumulative Capital Development	16,090	12,033	13,000	15,123
County Economic Development Income Tax	33,963	26,488	19,317	41,134
Local Major Moves Construction	-	139,690	-	139,690
Proprietary Funds:				
Water Utility - Operating	70,927	252,174	283,769	39,332
Water Utility - Bond and Interest	-	85,285	82,585	2,700
Water Utility - Reserve	87,433	-	-	87,433
Water Utility - Customer Deposit	18,730	3,077	2,557	19,250
Water Utility - Improvement	59,530	86,284	48,050	97,764
Wastewater Utility - Operating	23,869	155,995	154,820	25,044
Wastewater Utility - Bond and Interest	-	15,326	14,050	1,276
Wastewater Utility - Reserve	14,050	-	14,050	-
Wastewater Utility - Improvement	18,017	17,401	-	35,418
Sewer TIF	23,922	29,564	41,629	11,857
Sewer TIF Interest	-	5,333	5,333	-
Fiduciary Fund:				
Payroll	4,932	124,087	126,727	2,292
Totals	<u>\$ 617,931</u>	<u>\$ 1,701,518</u>	<u>\$ 1,577,570</u>	<u>\$ 741,879</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 35,641	\$ 290,699	\$ 323,052	\$ 3,288
Motor Vehicle Highway	77,956	52,697	76,632	54,021
Local Road and Street	23,870	10,667	14,480	20,057
Park and Recreation	765	54,962	36,014	19,713
Park Nonreverting Operating	36,205	17,943	22,875	31,273
Law Enforcement Continuing Education	27,527	7,715	5,779	29,463
Riverboat	17,661	5,473	15,290	7,844
Rainy Day	2,405	1,928	-	4,333
State Grants	-	4,725	4,923	(198)
Cumulative Capital Improvement	1,536	3,049	2,250	2,335
Cumulative Capital Development	15,123	10,579	10,000	15,702
County Economic Development Income Tax	41,134	26,889	67,409	614
Local Major Moves Construction	139,690	5,316	86,565	58,441
Proprietary Funds:				
Water Utility - Operating	39,332	259,423	253,706	45,049
Water Utility - Bond and Interest	2,700	84,885	84,885	2,700
Water Utility - Reserve	87,433	-	-	87,433
Water Utility - Customer Deposit	19,250	2,805	1,780	20,275
Water Utility - Improvement	97,764	92,268	30,483	159,549
Wastewater Utility - Operating	25,044	162,607	169,026	18,625
Wastewater Utility - Bond and Interest	1,276	12,432	13,650	58
Wastewater Utility - Improvement	35,418	40,386	74,876	928
Sewer TIF Interest	11,857	33,031	44,888	-
Sewer TIF Debt Reserve	-	6,050	-	6,050
Fiduciary Fund:				
Payroll	2,292	147,872	135,446	14,718
Totals	<u>\$ 741,879</u>	<u>\$ 1,334,401</u>	<u>\$ 1,474,009</u>	<u>\$ 602,271</u>

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

TOWN OF MILLERSBURG
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, 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. 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 MILLERSBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

TOWN OF MILLERSBURG
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	\$ 83,150
Buildings	243,091
Improvements other than buildings	2,286,019
Machinery and equipment	<u>417,179</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u><u>3,029,439</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 82,874
Buildings	596,687
Improvements other than buildings	623,234
Machinery and equipment	<u>23,118</u>
 Total Water Utility capital assets	 <u>1,325,913</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	9,352
Buildings	418,622
Improvements other than buildings	1,553,158
Machinery and equipment	<u>28,282</u>
 Total Wastewater Utility capital assets	 <u>2,009,414</u>
 Total business-type activities capital assets	 \$ <u><u>3,335,327</u></u>

TOWN OF MILLERSBURG
 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:		
Water Utility		
Revenue bonds:		
1999 Water Revenue Bonds	\$ 370,000	\$ 70,000
Wastewater Utility		
Revenue bonds:		
1977 Sewer Revenue Bonds	94,000	8,000
2006 SFR Wastewater Bonds	179,000	17,000
Total Wastewater Utility	273,000	25,000
Total business-type activities debt:	\$ 643,000	\$ 95,000

TOWN OF MILLERSBURG
EXAMINATION RESULTS AND COMMENTS

2007 ANNUAL REPORT

An annual report for 2007 was not prepared and made available for examination.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

PAYROLL FUND RECONCILIATIONS

A reconciliation of the payroll account was not completed as of December 31, 2006, and December 31, 2007. The payroll withholding balances each December 31st are shown below:

	<u>December 31, 2006</u>	<u>December 31, 2007</u>
Payroll Cash fund balance per the Clerk-Treasurer's records	\$ 2,292.11	\$ 14,717.86
Amounts due various agencies	<u>60.55</u>	<u>1,552.34</u>
Unidentified balance	<u>\$ 2,231.56</u>	<u>\$ 13,165.52</u>

The general ledger for the payroll withholding accounts contains many general journal entries in addition to cash receipts and cash disbursements entries. The results of the combination of these entries do not agree with the actual payroll fund liabilities at December 31, 2006 and 2007, as shown above.

Payroll deductions will be accumulated in the payroll fund, and then disbursed from this fund at the proper time to the various receiving agencies by payroll warrants. It is suggested the payroll ledger sheet be supported by subsidiary ledger sheets for each type of payroll deduction in order to see that no unidentified balance is allowed to accumulate in the payroll fund. (Accounting and Uniform Guidelines Compliance Manual for Cities and Towns, Chapter 3)

TOWN OF MILLERSBURG
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2008, with Patricia Barhydt, Clerk-Treasurer; and James R. Winkler, President of the Town Council. The officials concurred with our findings.