

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

AUDIT REPORT

OF

TOWN OF MILLTOWN

CRAWFORD COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
12/28/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Pevlor Evanelle Goss	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Curt Hudson	01-01-07 to 12-31-09
Town Manager	James Pevlor	01-01-07 to 12-31-09



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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF MILLTOWN, CRAWFORD COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milltown (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2007 and 2008, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated December 14, 2009, 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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

December 14, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF MILLTOWN, CRAWFORD COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milltown (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 14, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are 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 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.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 14, 2009

TOWN OF MILLTOWN
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 173,159	\$ 606	\$ -	\$ -	\$ (172,553)	\$ -	\$ (172,553)
Public safety	46,216	445	1,225	-	(44,546)	-	(44,546)
Highways and streets	19,840	-	33,307	4,214	17,681	-	17,681
Sanitation	50,984	46,840	-	-	(4,144)	-	(4,144)
Health and welfare	4,555	2,750	-	-	(1,805)	-	(1,805)
Economic development	16,000	-	-	-	(16,000)	-	(16,000)
Principal and interest on indebtedness	46,305	-	-	-	(46,305)	-	(46,305)
Total governmental activities	<u>357,059</u>	<u>50,641</u>	<u>34,532</u>	<u>4,214</u>	<u>(267,672)</u>	<u>-</u>	<u>(267,672)</u>
Business-type activities:							
Wastewater Utility	<u>2,148,297</u>	<u>202,190</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(1,446,107)</u>	<u>(1,446,107)</u>
Total primary government	<u>\$ 2,505,356</u>	<u>\$ 252,831</u>	<u>\$ 34,532</u>	<u>\$ 504,214</u>	<u>(267,672)</u>	<u>(1,446,107)</u>	<u>(1,713,779)</u>
General receipts:							
Property taxes					75,383	-	75,383
Income taxes					-	-	-
Intergovernmental					180,118	-	180,118
Other local sources					31,474	-	31,474
Net proceeds from borrowings					-	1,101,100	1,101,100
Grants and contributions not restricted to specific programs					7,500	-	7,500
Investment earnings					6,894	402	7,296
Total general receipts					<u>301,369</u>	<u>1,101,502</u>	<u>1,402,871</u>
Change in net assets					33,697	(344,605)	(310,908)
Net assets - beginning					<u>423,338</u>	<u>423,255</u>	<u>846,593</u>
Net assets - ending					<u>\$ 457,035</u>	<u>\$ 78,650</u>	<u>\$ 535,685</u>
Assets							
Cash and investments					\$ 302,233	\$ 3,038	\$ 305,271
Restricted assets:							
Cash and investments					<u>154,802</u>	<u>75,612</u>	<u>230,414</u>
Total assets					<u>\$ 457,035</u>	<u>\$ 78,650</u>	<u>\$ 535,685</u>
Net Assets							
Restricted for:							
General government					\$ 40,990	\$ -	\$ 40,990
Public safety					1,208	-	1,208
Highways and streets					62,565	-	62,565
Sanitation					2,214	-	2,214
Economic development					36,952	-	36,952
Culture and recreation					1,388	-	1,388
Debt service					-	4,635	4,635
Capital outlay					9,485	59,714	69,199
Other purposes					-	11,263	11,263
Unrestricted					<u>302,233</u>	<u>3,038</u>	<u>305,271</u>
Total net assets					<u>\$ 457,035</u>	<u>\$ 78,650</u>	<u>\$ 535,685</u>

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

TOWN OF MILLTOWN
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Motor Vehicle Highway	Trash	Riverboat	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 73,001	\$ -	\$ -	\$ -	\$ 2,382	\$ 75,383
Licenses and permits	32	-	-	-	260	292
Intergovernmental	32,120	33,307	-	119,884	33,553	218,864
Charges for services	574	-	46,840	-	2,810	50,224
Fines and forfeits	125	-	-	-	-	125
Other	12,528	-	-	-	33,340	45,868
Total receipts	118,380	33,307	46,840	119,884	72,345	390,756
Disbursements:						
General government	107,700	-	-	47,895	17,564	173,159
Public safety	44,919	-	-	-	1,297	46,216
Highways and streets	-	17,010	-	-	2,830	19,840
Sanitation	-	-	50,984	-	-	50,984
Health and welfare	-	-	-	-	4,555	4,555
Economic development	-	-	-	-	16,000	16,000
Debt service:						
Principal	-	-	-	30,253	6,915	37,168
Interest	-	-	-	8,747	390	9,137
Total disbursements	152,619	17,010	50,984	86,895	49,551	357,059
Excess (deficiency) of receipts over disbursements	(34,239)	16,297	(4,144)	32,989	22,794	33,697
Cash and investment fund balance - beginning	64,574	26,402	6,358	235,553	90,451	423,338
Cash and investment fund balance - ending	<u>\$ 30,335</u>	<u>\$ 42,699</u>	<u>\$ 2,214</u>	<u>\$ 268,542</u>	<u>\$ 113,245</u>	<u>\$ 457,035</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 30,335	\$ -	\$ -	\$ 268,542	\$ 3,356	\$ 302,233
Restricted assets:						
Cash and investments	-	42,699	2,214	-	109,889	154,802
Total cash and investment assets - ending	<u>\$ 30,335</u>	<u>\$ 42,699</u>	<u>\$ 2,214</u>	<u>\$ 268,542</u>	<u>\$ 113,245</u>	<u>\$ 457,035</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 40,990	\$ 40,990
Public safety	-	-	-	-	1,208	1,208
Highways and streets	-	42,699	-	-	19,866	62,565
Sanitation	-	-	2,214	-	-	2,214
Economic development	-	-	-	-	36,952	36,952
Culture and recreation	-	-	-	-	1,388	1,388
Capital outlay	-	-	-	-	9,485	9,485
Unrestricted	30,335	-	-	268,542	3,356	302,233
Total cash and investment fund balance - ending	<u>\$ 30,335</u>	<u>\$ 42,699</u>	<u>\$ 2,214</u>	<u>\$ 268,542</u>	<u>\$ 113,245</u>	<u>\$ 457,035</u>

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

TOWN OF MILLTOWN
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
As Of And For The Year Ended December 31, 2007

	Wastewater Utility
Operating receipts:	
Metered/measured	\$ 199,290
Miscellaneous	<u>2,900</u>
Total operating receipts	<u>202,190</u>
Operating disbursements:	
Salaries and wages	51,503
Employee pensions and benefits	11,289
Sludge removal	30,924
Purchased power	15,139
Fuel for power production	4,396
Chemicals	4,740
Material and supplies	19,571
Contractual services	29,449
Rents	927
Insurance claims and expense	6,106
Administration and general	36
Refunds	1,300
Equipment and capital improvements	1,951,372
Miscellaneous	<u>3,056</u>
Total operating disbursements	<u>2,129,808</u>
Deficiency of operating receipts over operating disbursements	<u>(1,927,618)</u>
Nonoperating receipts (disbursements):	
Investment income	402
Net proceeds from borrowings	1,101,100
Debt service of principal	(10,307)
Interest disbursements	<u>(8,182)</u>
Total nonoperating receipts (disbursements)	<u>1,083,013</u>
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(844,605)
Capital contributions	<u>500,000</u>
Deficiency of receipts and contributions over disbursements	(344,605)
Cash and investment fund balance - beginning	<u>423,255</u>
Cash and investment fund balance - ending	<u>\$ 78,650</u>
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 3,038
Restricted assets:	
Cash and investments	<u>75,612</u>
Total cash and investment assets - December 31	<u>\$ 78,650</u>
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 4,635
Capital outlay	59,714
Other purposes	11,263
Unrestricted	<u>3,038</u>
Total cash and investment fund balance - December 31	<u>\$ 78,650</u>

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

TOWN OF MILLTOWN
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Private-Purpose Trust Fund	Agency Fund
Additions:		
Contributions:		
Other	\$ 1,109	
Investment earnings:		
Interest	3,834	
Dividends	9,923	
Increase in fair market value	14,879	
Total investment earnings	28,636	
Total additions	29,745	
Deductions:		
Administrative and general	525	
Excess of total additions over total deductions	29,220	
Cash and investment fund balance - beginning	256,044	
Cash and investment fund balance - ending	\$ 285,264	\$ (66,843)

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

TOWN OF MILLTOWN
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 267,028	\$ 525	\$ -	\$ -	\$ (266,503)	\$ -	\$ (266,503)
Public safety	60,189	229	3,149	-	(56,811)	-	(56,811)
Highways and streets	34,086	-	24,943	3,919	(5,224)	-	(5,224)
Sanitation	54,634	49,077	-	-	(5,557)	-	(5,557)
Health and welfare	-	2,250	-	-	2,250	-	2,250
Economic development	29,001	-	-	-	(29,001)	-	(29,001)
Culture and recreation	754	-	-	-	(754)	-	(754)
Principal and interest on indebtedness	42,044	-	-	-	(42,044)	-	(42,044)
Total governmental activities	<u>487,736</u>	<u>52,081</u>	<u>28,092</u>	<u>3,919</u>	<u>(403,644)</u>	<u>-</u>	<u>(403,644)</u>
Business-type activities:							
Wastewater Utility	<u>268,428</u>	<u>193,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,668)</u>	<u>(74,668)</u>
Total primary government	<u>\$ 756,164</u>	<u>\$ 245,841</u>	<u>\$ 28,092</u>	<u>\$ 3,919</u>	<u>(403,644)</u>	<u>(74,668)</u>	<u>(478,312)</u>
General receipts:							
Property taxes					124,255	-	124,255
Intergovernmental					154,760	-	154,760
Other local sources					21,385	-	21,385
Net proceeds from borrowings					-	61,900	61,900
Grants and contributions not restricted to specific programs					3,784	-	3,784
Investment earnings					4,266	184	4,450
Total general receipts					<u>308,450</u>	<u>62,084</u>	<u>370,534</u>
Change in net assets					(95,194)	(12,584)	(107,778)
Net assets - beginning					457,035	78,650	535,685
Net assets - ending					<u>\$ 361,841</u>	<u>\$ 66,066</u>	<u>\$ 427,907</u>
<u>Assets</u>							
Cash and investments					\$ 272,027	\$ 26,533	\$ 298,560
Restricted assets:							
Cash and investments					<u>89,814</u>	<u>39,533</u>	<u>129,347</u>
Total assets					<u>\$ 361,841</u>	<u>\$ 66,066</u>	<u>\$ 427,907</u>
<u>Net Assets</u>							
Restricted for:							
General government					\$ 17,797	\$ -	\$ 17,797
Public safety					1,427	-	1,427
Highways and streets					57,441	-	57,441
Culture and recreation					634	-	634
Debt service					-	25,170	25,170
Capital outlay					12,515	4,666	17,181
Other purposes					-	9,697	9,697
Unrestricted					<u>272,027</u>	<u>26,533</u>	<u>298,560</u>
Total net assets					<u>\$ 361,841</u>	<u>\$ 66,066</u>	<u>\$ 427,907</u>

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

TOWN OF MILLTOWN
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General Fund	Motor Vehicle Highway	Trash	Riverboat	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 119,295	\$ -	\$ -	\$ -	\$ 4,960	\$ 124,255
Licenses and permits	49	-	-	-	90	139
Intergovernmental	36,939	24,943	-	85,366	39,520	186,768
Charges for services	525	-	49,077	-	2,265	51,867
Fines and forfeits	75	-	-	-	-	75
Other	12,949	-	584	-	15,905	29,438
Total receipts	169,832	24,943	49,661	85,366	62,740	392,542
Disbursements:						
General government	115,985	-	-	21,046	24,270	161,301
Public safety	57,363	-	-	-	2,826	60,189
Highways and streets	-	17,499	-	-	16,587	34,086
Sanitation	-	-	54,634	-	-	54,634
Economic development	-	-	-	-	29,001	29,001
Culture and recreation	-	-	-	-	754	754
Debt service:						
Principal	-	-	-	31,991	3,000	34,991
Interest	-	-	-	7,009	44	7,053
Capital outlay:						
General government	-	-	-	85,809	19,918	105,727
Total disbursements	173,348	17,499	54,634	145,855	96,400	487,736
Excess (deficiency) of receipts over disbursements	(3,516)	7,444	(4,973)	(60,489)	(33,660)	(95,194)
Other financing sources (uses):						
Transfers in	-	-	-	-	1,500	1,500
Transfers out	-	-	-	-	(1,500)	(1,500)
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,516)	7,444	(4,973)	(60,489)	(33,660)	(95,194)
Cash and investment fund balance - beginning	30,335	42,699	2,214	268,542	113,245	457,035
Cash and investment fund balance - ending	\$ 26,819	\$ 50,143	\$ (2,759)	\$ 208,053	\$ 79,585	\$ 361,841
Cash and Investment Assets - Ending						
Cash and investments	\$ 26,819	\$ -	\$ (2,759)	\$ 208,053	\$ 39,914	\$ 272,027
Restricted assets:						
Cash and investments	-	50,143	-	-	39,671	89,814
Total cash and investment assets - ending	\$ 26,819	\$ 50,143	\$ (2,759)	\$ 208,053	\$ 79,585	\$ 361,841
Cash and Investment Fund Balance - Ending						
Restricted for:						
General government	\$ -	\$ -	\$ -	\$ -	\$ 17,797	\$ 17,797
Public safety	-	-	-	-	1,427	1,427
Highways and streets	-	50,143	-	-	7,298	57,441
Culture and recreation	-	-	-	-	634	634
Capital outlay	-	-	-	-	12,515	12,515
Unrestricted	26,819	-	(2,759)	208,053	39,914	272,027
Total cash and investment fund balance - ending	\$ 26,819	\$ 50,143	\$ (2,759)	\$ 208,053	\$ 79,585	\$ 361,841

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

TOWN OF MILLTOWN
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUND
As of and for the Year Ended December 31, 2008

	Wastewater Utility
Operating receipts:	
Metered/measured	\$ 189,791
Miscellaneous	3,969
	193,760
Operating disbursements:	
Salaries and wages	46,118
Employee pensions and benefits	9,977
Sludge removal	10,414
Purchased power	15,955
Fuel for power production	4,589
Chemicals	965
Material and supplies	4,247
Contractual services	18,449
Rents	735
Insurance claims and expense	6,163
Refunds	1,900
Equipment and capital improvements	116,948
Miscellaneous	9,114
	245,574
Deficiency of operating receipts over operating disbursements	(51,814)
Nonoperating receipts (disbursements):	
Investment income	184
Net proceeds from borrowings	61,900
Interest disbursements	(22,854)
	39,230
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(12,584)
Cash and investment fund balance - beginning	78,650
Cash and investment fund balance - ending	\$ 66,066
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 26,533
Restricted assets:	
Cash and investments	39,533
	66,066
Total cash and investment assets - December 31	\$ 66,066
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Debt service	\$ 25,170
Capital outlay	4,666
Other purposes	9,697
Unrestricted	26,533
Total cash and investment fund balance - December 31	\$ 66,066

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

TOWN OF MILLTOWN
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	Private-Purpose Trust Fund	Agency Fund
Additions:		
Investment earnings:		
Interest	\$ 5,128	
Dividends	4,794	
Decrease in fair market value	(42,851)	
Total additions	(32,929)	
Deductions:		
Administrative and general	2,955	
Deficiency of total additions over total deductions	(35,884)	
Cash and investment fund balance - beginning	285,264	
Cash and investment fund balance - ending	\$ 249,380	\$ (68,268)

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

TOWN OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, general administrative services, and wastewater.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Milltown

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The Town's officials are also responsible for appointing the members of the boards of other organizations, but the Town's accountability for these organizations does not extend beyond making the appointments.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund is used to account for state motor vehicle highway distributions and for the expenses incurred for construction and maintenance of streets and alleys and any other approved uses in accordance to IC 8-14-1-5.

TOWN OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS
(Continued)

The trash fund is used to record receipts and disbursements for trash removal.

The riverboat fund accounts for the Town's portion of revenue sharing and gaming receipts and can be used for any lawful purpose for which money in any of its other funds may be used.

The Town reports the following major proprietary fund:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the Town reports the following fund types:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the Town's cemetery.

The agency fund accounts for payroll withholdings held by the Town and serves as a control account for withholding transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and Wastewater Utility. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

TOWN OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

TOWN OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS
(Continued)

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

TOWN OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2008, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2008
General	\$ 1,044
Local Road and Street	4,587
Cemetery	2,500
Economic Development Income Tax	2,045
Total	\$ 10,176

These disbursements were funded by unappropriated available cash balances.

TOWN OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Cash and Investment Balance Deficits

At December 31, 2007 and 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007	2008
Payroll	\$ 66,843	\$ 68,268
Trash	-	2,759
Cemetery	-	987

Cash and investment deficits for the Payroll Fund arose from payroll transfers from the Wastewater Utility not being made at the time the payrolls were paid by the Payroll Funds during prior audit periods. These deficits are to be repaid by the Wastewater Utility as sufficient cash flow becomes available.

Cash and investment deficits of the Trash and Cemetery Funds arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Town does not have a deposit policy for custodial credit risk. At December 31, 2008, the Town had deposit balances in the amount of \$497,746. Of this amount, the following was exposed to custodial credit risk:

Uninsured deposits collateralized with securities held by the pledging financial institution	<u>2008</u> <u>\$ 117,719</u>
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2. Investments

As of December 31, 2008, the Town had the following investments:

TOWN OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Primary Government Market Value
U.S. agencies	\$ 47,862
Mutual funds	59,045
Corporate stocks	15,556
Total	\$ 122,463

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

TOWN OF MILLTOWN
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following investments held by the Town were exposed to custodial credit risks because they are uninsured and unregistered with securities held by the counterparty, or the counterparty's trust department or agent, either in the government's name or not in the government's name:

Primary Government: Town of Milltown

Investment Type	2008 In the Government's Name
U.S. agencies	\$ 47,862
Corporate stocks	<u>15,556</u>
Total	<u>\$ 63,418</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town must follow state statute and limit the stated final maturities of the investments to no more than two years. The Town does not have a formal investment policy for interest rate risk for investments.

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. agencies	<u>\$ 15,023</u>	<u>\$ 16,128</u>	<u>\$ 16,711</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

The Town held the following investments that were exposed to concentration of credit risk:

Issuer	2008
Johnson & Johnson	<u>\$ 15,556</u>

TOWN OF MILLTOWN
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, was as follows:

Transfer From	Transfer To	2008
Other governmental funds	Other governmental funds	\$ 1,500

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

B. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the Town Council on October 10, 2005.

TOWN OF MILLTOWN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Local Road and Street	Cemetery	Police Continuing Education	Park and Recreation	Rainy Day	K-9 Donations
Receipts:						
Taxes	\$ -	\$ 2,382	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	260	-	-	-
Intergovernmental	4,214	20	-	-	1,378	-
Charges for services	-	2,750	60	-	-	-
Other	-	418	1,375	-	-	-
Total receipts	4,214	5,570	1,695	-	1,378	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	1,253	-	-	44
Highways and streets	2,830	-	-	-	-	-
Health and welfare	-	4,555	-	-	-	-
Economic development	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	2,830	4,555	1,253	-	-	44
Excess (deficiency) of receipts over disbursements	1,384	1,015	442	-	1,378	(44)
Cash and investment fund balance - beginning	18,482	7,467	730	1,388	1,978	65
Cash and investment fund balance - ending	<u>\$ 19,866</u>	<u>\$ 8,482</u>	<u>\$ 1,172</u>	<u>\$ 1,388</u>	<u>\$ 3,356</u>	<u>\$ 21</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 3,356	\$ -
Restricted assets:						
Cash and investments	19,866	8,482	1,172	1,388	-	21
Total cash and investment assets - ending	<u>\$ 19,866</u>	<u>\$ 8,482</u>	<u>\$ 1,172</u>	<u>\$ 1,388</u>	<u>\$ 3,356</u>	<u>\$ 21</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ 8,482	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	1,172	-	-	21
Highways and streets	19,866	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	1,388	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	-	-	3,356	-
Total cash and investment fund balance - ending	<u>\$ 19,866</u>	<u>\$ 8,482</u>	<u>\$ 1,172</u>	<u>\$ 1,388</u>	<u>\$ 3,356</u>	<u>\$ 21</u>

TOWN OF MILLTOWN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Economic Development Income Tax	Medical Building	Car Seat	Harrison County Community Foundation	Cumulative Capital Improvement	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,382
Licenses and permits	-	-	-	-	-	260
Intergovernmental	24,667	-	-	-	3,274	33,553
Charges for services	-	-	-	-	-	2,810
Other	9,000	15,047	-	7,500	-	33,340
Total receipts	33,667	15,047	-	7,500	3,274	72,345
Disbursements:						
General government	-	10,157	-	7,407	-	17,564
Public safety	-	-	-	-	-	1,297
Highways and streets	-	-	-	-	-	2,830
Health and welfare	-	-	-	-	-	4,555
Economic development	16,000	-	-	-	-	16,000
Debt service:						
Principal	6,915	-	-	-	-	6,915
Interest	390	-	-	-	-	390
Total disbursements	23,305	10,157	-	7,407	-	49,551
Excess (deficiency) of receipts over disbursements	10,362	4,890	-	93	3,274	22,794
Cash and investment fund balance - beginning	26,590	27,525	15	-	6,211	90,451
Cash and investment fund balance - ending	<u>\$ 36,952</u>	<u>\$ 32,415</u>	<u>\$ 15</u>	<u>\$ 93</u>	<u>\$ 9,485</u>	<u>\$ 113,245</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,356
Restricted assets:						
Cash and investments	36,952	32,415	15	93	9,485	109,889
Total cash and investment assets - ending	<u>\$ 36,952</u>	<u>\$ 32,415</u>	<u>\$ 15</u>	<u>\$ 93</u>	<u>\$ 9,485</u>	<u>\$ 113,245</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
General government	\$ -	\$ 32,415	\$ -	\$ 93	\$ -	\$ 40,990
Public safety	-	-	15	-	-	1,208
Highways and streets	-	-	-	-	-	19,866
Economic development	36,952	-	-	-	-	36,952
Culture and recreation	-	-	-	-	-	1,388
Capital outlay	-	-	-	-	9,485	9,485
Unrestricted	-	-	-	-	-	3,356
Total cash and investment fund balance - ending	<u>\$ 36,952</u>	<u>\$ 32,415</u>	<u>\$ 15</u>	<u>\$ 93</u>	<u>\$ 9,485</u>	<u>\$ 113,245</u>

TOWN OF MILLTOWN
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2007

	Payroll
Additions: Agency fund additions	\$ <u>157,844</u>
Deductions: Agency fund deductions	<u>157,880</u>
Deficiency of total additions over total deductions	(36)
Cash and investment fund balance - beginning	<u>(66,807)</u>
Cash and investment fund balance - ending	\$ <u><u>(66,843)</u></u>

TOWN OF MILLTOWN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Local Road and Street	Cemetery	Police Continuing Education	Park and Recreation	Rainy Day	K-9 Donation	Donations
Receipts:							
Taxes	\$ -	\$ 4,960	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	90	-	-	-	-
Intergovernmental	3,919	26	-	-	6,219	-	-
Charges for services	-	2,250	15	-	-	-	-
Other	100	995	-	-	-	-	1,440
Total receipts	4,019	8,231	105	-	6,219	-	1,440
Disbursements:							
General government	-	17,700	-	-	-	-	-
Public safety	-	-	1,203	-	-	1,159	464
Highways and streets	16,587	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	-	754	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Total disbursements	16,587	17,700	1,203	754	-	1,159	464
Excess (deficiency) of receipts over disbursements	(12,568)	(9,469)	(1,098)	(754)	6,219	(1,159)	976
Other financing sources (uses):							
Transfers in	-	-	-	-	-	1,500	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	1,500	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,568)	(9,469)	(1,098)	(754)	6,219	341	976
Cash and investment fund balance - beginning	19,866	8,482	1,172	1,388	3,356	21	-
Cash and investment fund balance - ending	<u>\$ 7,298</u>	<u>\$ (987)</u>	<u>\$ 74</u>	<u>\$ 634</u>	<u>\$ 9,575</u>	<u>\$ 362</u>	<u>\$ 976</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ (987)	\$ -	\$ -	\$ 9,575	\$ -	\$ -
Restricted assets:							
Cash and investments	<u>7,298</u>	<u>-</u>	<u>74</u>	<u>634</u>	<u>-</u>	<u>362</u>	<u>976</u>
Total cash and investment assets - ending	<u>\$ 7,298</u>	<u>\$ (987)</u>	<u>\$ 74</u>	<u>\$ 634</u>	<u>\$ 9,575</u>	<u>\$ 362</u>	<u>\$ 976</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	74	-	-	362	976
Highways and streets	7,298	-	-	-	-	-	-
Culture and recreation	-	-	-	634	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	(987)	-	-	9,575	-	-
Total cash and investment fund balance - ending	<u>\$ 7,298</u>	<u>\$ (987)</u>	<u>\$ 74</u>	<u>\$ 634</u>	<u>\$ 9,575</u>	<u>\$ 362</u>	<u>\$ 976</u>

TOWN OF MILLTOWN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Crawford County Drug Grant	Medical Building	Car Seat	Harrison County Community Foundation	Cumulative Capital Improvement	Economic Development Income Tax	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,960
Licenses and permits	-	-	-	-	-	-	90
Intergovernmental	-	-	-	-	3,030	26,326	39,520
Charges for services	-	-	-	-	-	-	2,265
Other	1,500	11,870	-	-	-	-	15,905
Total receipts	1,500	11,870	-	-	3,030	26,326	62,740
Disbursements:							
General government	-	6,570	-	-	-	-	24,270
Public safety	-	-	-	-	-	-	2,826
Highways and streets	-	-	-	-	-	-	16,587
Economic development	-	-	-	-	-	29,001	29,001
Culture and recreation	-	-	-	-	-	-	754
Debt service:							
Principal	-	-	-	-	-	3,000	3,000
Interest	-	-	-	-	-	44	44
Capital outlay:							
General government	-	19,918	-	-	-	-	19,918
Total disbursements	-	26,488	-	-	-	32,045	96,400
Excess (deficiency) of receipts over disbursements	1,500	(14,618)	-	-	3,030	(5,719)	(33,660)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	1,500
Transfers out	(1,500)	-	-	-	-	-	(1,500)
Total other financing sources (uses)	(1,500)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(14,618)	-	-	3,030	(5,719)	(33,660)
Cash and investment fund balance - beginning	-	32,415	15	93	9,485	36,952	113,245
Cash and investment fund balance - ending	\$ -	\$ 17,797	\$ 15	\$ 93	\$ 12,515	\$ 31,233	\$ 79,585
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ 93	\$ -	\$ 31,233	\$ 39,914
Restricted assets:							
Cash and investments	-	17,797	15	-	12,515	-	39,671
Total cash and investment assets - ending	\$ -	\$ 17,797	\$ 15	\$ 93	\$ 12,515	\$ 31,233	\$ 79,585
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
General government	\$ -	\$ 17,797	\$ -	\$ -	\$ -	\$ -	\$ 17,797
Public safety	-	-	15	-	-	-	1,427
Highways and streets	-	-	-	-	-	-	7,298
Culture and recreation	-	-	-	-	-	-	634
Capital outlay	-	-	-	-	12,515	-	12,515
Unrestricted	-	-	-	93	-	31,233	39,914
Total cash and investment fund balance - ending	\$ -	\$ 17,797	\$ 15	\$ 93	\$ 12,515	\$ 31,233	\$ 79,585

TOWN OF MILLTOWN
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2008

	Payroll
Additions: Agency fund additions	\$ <u>162,894</u>
Deductions: Agency fund deductions	<u>164,319</u>
Deficiency of total additions over total deductions	(1,425)
Cash and investment fund balance - beginning	<u>(66,843)</u>
Cash and investment fund balance - ending	\$ <u><u>(68,268)</u></u>

TOWN OF MILLTOWN
 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
Governmental activities:		
Notes and loans payable	\$ 115,974	\$ 29,135
Business-type activities:		
Wastewater Utility		
Revenue bonds:		
2007 Series A wastewater expansion and improvement	\$ 937,000	\$ 48,651
2007 Series B wastewater expansion and improvement	215,693	9,910
Total business-type activities debt	\$ 1,152,693	\$ 58,561

TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS

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 achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted:

1. For the period of June 2008 to June 2009, record balances were not being reconciled to the depository balances on a monthly basis. Reconcilements for this period were not completed until September 2009.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

2. The following records for the period of June 2008 to June 2009 were not posted until September 2009:

(a) Disbursements for the Town were not posted to the ledger of appropriations, encumbrances, disbursements and balances.

(b) Receipts and disbursements for the Wastewater Utility were posted to the simplified cash journal, but they had not been spread across to the proper wastewater utility funds and expenditure classifications.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (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)

- (3) Numerous instances were noted in which receipts were not issued for collections made.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (4) There were a considerable number of posting errors. These errors consisted of receipts being posted to the wrong fund.

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)

ANNUAL REPORT

An annual report for 2008 was not presented for audit.

IC 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 . . ."

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn in 2007 and 2008.

TOWN OF MILLTOWN
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	2007	2008
Payroll	\$ 66,843	\$ 68,268
Trash	-	2,759
Cemetery	-	987

The overdrawn cash balance of the Payroll Fund is the result of payroll transfers from the Wastewater Utility not being made at the time payrolls were paid by the Payroll Fund during prior audit periods. The Wastewater Utility did not have sufficient cash flow to make the transfers at that time; however, all disbursements relating to the payroll were paid from the payroll fund. During 2007 and 2008, all payroll transfers for the pay periods were properly made. The Wastewater Utility is making transfers to the Payroll Fund to cover prior payrolls as sufficient cash flow becomes available.

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)

INVESTMENTS NOT AUTHORIZED BY STATUTE

The Town has invested Cemetery Perpetual Care funds in corporate stock and in mutual funds with a portfolio of corporate stock. Investments in corporate stock and in mutual funds consisting of corporate stock are not permissible under state statute. The value of the corporate stock and mutual fund investments decreased in 2008 in the amount of \$42,851. The decrease in value during 2008 has been off-set by interest and dividends earned since the original investments were purchased and, therefore, no decline in principal has occurred.

IC 5-13-9-2.5 states in part:

"(a) An officer designated in section 1 of this chapter may invest or reinvest funds that are held by the officer and available for investment in investments commonly known as money market mutual funds that are in the form of securities of or interests in an open-end, no-load, management-type investment company or investment trust registered under the provisions of the federal Investment Company Act of 1940, as amended (15 U.S.C. 80a et seq.). . . .

(d) The portfolio of an investment company or investment trust described in subsection (a) must be limited to the following:

- (1) Direct obligations of the United States.
- (2) Obligations issued by any of the following:
 - (A) A federal agency.

TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

(B) A federal instrumentality.

(C) A federal government sponsored enterprise.

(3) Repurchase agreements fully collateralized by obligations described in subdivision (1) or (2). . . ."

Investments should only be made in accordance with statute. Expenses related to any unauthorized investments may be the personal obligation of the responsible official or employee.

Losses related to investments and investment procedures which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEPOSITS

During the test of receipts, we noted numerous instances, in which receipts were deposited later than the next business day. For 2007, there were 11 instances noted in which receipts were not deposited until 7 to 49 days after the date of collection. For 2008, 23 instances were noted in which receipts were not deposited until 3 to 153 days after the date of collection.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the police department were remitted to the Clerk-Treasurer less frequently than once a week. Three instances were noted in which fees collected for handgun applications were not remitted to the Clerk-Treasurer until 91, 528, and 658 days after the date of the collection.

Receipts and fees collected by a police department should be remitted to the Clerk-Treasurer or City Controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

PRESCRIBED FORMS

Prescribed receipt Form 310 - Consumer Guarantee Deposit, did not always properly designate the form of the collection, i.e., cash, check, money order.

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)

TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>2008</u>
General	\$ 1,044
Local Road and Street	4,587
Cemetery	2,500
Economic Development Income Tax	<u>2,045</u>
 Total	 <u>\$ 10,176</u>

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."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

1. Claims did not always contain the signature of the Clerk-Treasurer certifying the invoice or bill is true and correct.
2. Claims were not always adequately itemized.
3. Claims or invoices did not always have evidence to support receipt of goods or services.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) 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."

TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town has a loan with Community First Bank that requires annual loan payments to be made by January 24 of each year until the loan has been paid off. During the review of payments on this loan, we noted that the January 24, 2009, payment was not made until February 9, 2009. As a result of failing to make the loan payment by the required due date, the Town incurred a late charge in the amount of \$1,456.77.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONFLICT OF INTEREST

Jerry M. Garrett became a member of the Town Council beginning January 1, 2008. The Town Council approves contracts and claims for the Town and the Wastewater Utility. During 2008, Mr. Garrett received compensation in the amount of \$1,450 for backhoe and repair services he performed for the Town and Wastewater Utility. Mr. Garrett failed to properly file a Uniform Conflict of Interest Disclosure Statement.

IC 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . ."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

CONTRACTS

During 2007 and 2008, payments totaling \$435 and \$1450, respectively, were made to Jerry M. Garrett for backhoe and repair services without a contract.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town failed to file a Form 1099-MISC with the Internal Revenue Service for a professional service provider who received compensation during 2008 in excess of \$600.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SALES TAX

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

IC 5-15-6-3 concerning optical imaging of checks, states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

ADVANCE PAYMENT OF SALARY

Town employees are paid on a weekly basis. During the audit of payroll for 2008, we noted that the current Clerk-Treasurer, Evanelle Goss, made advance salary payments to herself on 24 occasions. Advance payments ranged from 1 day to 49 days prior to the time she should have received the salary payments.

The Clerk-Treasurer has been informed that she is not permitted to make advance salary payments.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIME AND ATTENDANCE RECORDS

Employee time and attendance reports were not properly approved.

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)

TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of Town employees was not certified to the County Treasurer during 2007 and 2008.

IC 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2008.

IC 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

OFFICIAL BOND

The following official bonds were not filed in the office of the County Recorder for 2007:

Clerk-Treasurer
Town Marshal
Town Manager

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

Revenue Bond Ordinance 2007-2, which governs the Sewage Works Revenue Bonds series 2007A and 2007B, requires monthly transfers of the gross revenues of the Wastewater Operating Fund to the Bond and Interest Fund so that sufficient amounts are available to pay bond principal and interest payments when they come due. During 2008, transfers were not being made monthly and as a result the Bond and Interest Fund at December 31, 2008, was underfunded by \$13,356.

Revenue Bond Ordinance 2007-2, also requires transfers be made of the gross revenue of the Wastewater Operating Fund to the Debt Reserve Fund in order to pay the bond holders in the event that there are insufficient funds in the Bond and Interest Fund to make current bond payments when due. Transfers are to be made equally over a one hundred and twenty (120) month period until the reserve requirement has been satisfied. During 2008, monthly transfers were not being made and as a result the Debt Reserve Fund at December 31, 2008, was underfunded by \$8,120.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MILLTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

SANITATION CHARGES

Since 2003, the Town has contracted with Blue River Regional Water District to perform billing and collections services for the Town's sewer and sanitation charges. Town Ordinance No. 2000-1 sets the rate to be charged for sanitation services at \$9.50 per month. During 2005 and 2007, the Town authorized Blue River Regional Water District to increase the fee charged to the Town's customers to \$10.07 and \$11.03 per month, respectively. No ordinances were presented for review to indicate that the increases in sanitation fees being charged had been properly approved

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town does not maintain sufficient detailed records of capital assets owned by the Town and the Wastewater Utility. The Town's capital asset ledger has not been updated to account for adjustments reported in these accounts during the current and prior audits. Deletions or disposals of capital assets were not recorded. In addition, inventories of capital assets were not taken by all departments so that capital assets on hand could be reconciled back to the capital asset ledger.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable 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)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF MILLTOWN, CRAWFORD COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Milltown (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2008. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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 non-compliance 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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

As described in item 2008-2 and 2008-3 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Water and Waste Disposal Systems for Rural Communities and Community Development Block Grants/State's Program. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended December 31, 2007 and 2008.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2008-2 and 2008-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2008-2 and 2008-3 to be material weaknesses.

The Town's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 14, 2009

TOWN OF MILLTOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities Wastewater Expansion and Improvement Project Loan Program	10.760	92-02 & 92-03	\$ 1,056,593	\$ 106,407
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Department of Community and Rural Affairs Community Development Block Grants/State's Program Wastewater Expansion and Improvement Project	14.228	CFF-06-101	500,000	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster				
State and Community Highway Safety FY 07-08	20.600	OP-087-01-01-91	-	3,149
Alcohol Impaired Driving Countermeasures Incentive Grants I FY 06-07	20.601	OP-07-01-01-83	1,225	-
Total for cluster			1,225	3,149
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	025-49716-00 DR 1795	-	20,400
Total federal awards expended			\$ 1,557,818	\$ 129,956

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

TOWN OF MILLTOWN
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 Milltown (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the Indiana Code (IC 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 MILLTOWN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grants/State's Program

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 2008-1, 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 achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.

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

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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 objections, 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

FINDING 2008-2, EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.760

In gaining an understanding of the internal control system the Town has in place for the major federal programs, we noted the Town does not maintain sufficient detailed records for the Town's Wastewater Utility owned capital assets.

Not all audit period capital asset transactions were recorded by the Town for the Wastewater Utility. Deletions and disposals of capital assets were not recorded. Additionally, inventories of capital assets were not taken so that capital assets on hand can be reconciled to the capital asset ledger.

The U.S. Department of Agriculture Code of Regulations 7CFR3016.32, requires that grantees maintain equipment records, take a physical inventory at least every two years, design an appropriate control system to safeguard equipment, and adequately maintain all equipment.

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

Failure to maintain adequate capital asset records and to conduct inventories of capital assets may result in property and equipment being lost, stolen, or otherwise misappropriated without detection.

We recommended the Town properly maintain capital asset records as required by the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns and the Code of Federal Regulations.

FINDING 2008-3, EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
CFDA Number: 14.228
Federal Award Number: CF-06-101
Pass-Through Entity: Indiana Office of Community and Rural Affairs

In gaining an understanding of the internal control system the Town has in place for the major federal programs, we noted the Town does not maintain sufficient detailed records for the Town's Wastewater Utility owned capital assets.

Not all audit period capital asset transactions were recorded by the Town for the Wastewater Utility. Deletions and disposals of capital assets were not recorded. Additionally, inventories of capital assets were not taken so that capital assets on hand can be reconciled to the capital asset ledger.

The U.S. Department of Housing and Urban Development Code of Federal Regulations, 24CFR85.32 requires that grantees maintain equipment records, take a physical inventory at least every two years, design an appropriate control system to safeguard equipment, and adequately maintain all equipment.

Failure to maintain adequate capital asset records and to conduct inventories of capital assets may result in property and equipment being lost, stolen, or otherwise misappropriated without detection.

We recommended the Town properly maintain capital asset records as required by the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns and the Code of Federal Regulations.

TOWN OF MILLTOWN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF MILLTOWN

P. O. Box 127 • 215 W. Main St.
Milltown, Indiana 47145
(812) 633-4848

November 18, 2009

Finding No. 2008-1 Internal Controls over Financial Transactions and Reporting
Auditee Contact Person: Evanelle Goss
Title: Clerk-Treasurer
Phone 812-633-4848
Expected Completion Date: Spring of 2010

To Whom It May Concern:

It has been brought to my attention that several deficiencies in the internal control system of the Town were recently found during the audit and needed to be addressed.

A thorough review of the internal controls covering: segregation of duties, preparing financial statements, and monitoring of controls will be jointly performed by the Clerk-Treasurer and the Milltown Town Council. Policies and procedures will be developed and implemented to provide more effective internal controls.

However, due to the limited number of employees and cost constraints, the Town may be forced to accept some of the risks associated with the lack of segregation of duties.

Thank you,



Evanelle Goss
Clerk-Treasurer

TOWN OF MILLTOWN

P. O. Box 127 • 215 W. Main St.
Milltown, Indiana 47145
(812) 633-4848

November 19, 2009

Finding No. 2008-2, Equipment and Real Property Management
Federal Agency: U.S. Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number 10.760
Federal Award Number 92-02 & 92-03
Auditee Contact Person: Evanelle Goss
Title of Contact: Clerk-Treasurer
Phone No. 821-633-4848
Expected Completion Date: Spring 2010

To Whom It May Concern:

CORRECTIVE ACTION PLAN

Capital Asset Records for the Town's Wastewater Utility will be brought up to date to accurately reflect the capital assets of the Wastewater Utility. The Town will perform an annual inventory in order to reconcile the capital asset on hand to the capital asset ledger.

Thank you,



Evanelle Goss
Clerk-Treasurer

TOWN OF MILLTOWN

P. O. Box 127 • 215 W. Main St.
Milltown, Indiana 47145
(812) 633-4848

November 19, 2009

Finding No. 2008-3 Equipment and Real Property Management
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
CFDA Number 14.228
Federal Award Number: CF-06-101
Auditee Contact Person: Evanelle Goss
Title of Contact: Clerk-Treasurer
Phone No. 812-633-4848
Expected Completion Date: Spring 2010

To Whom It May Concern:

CORRECTIVE ACTION PLAN

Capital Asset Records for the Town's Wastewater Utility will be brought up to date to accurately reflect the capital assets of the Wastewater Utility. The Town of Milltown will perform an annual inventory in order to reconcile the capital assets on hand to the capital asset ledger.

Thank you,



Evanelle Goss
Clerk-Treasurer

TOWN OF MILLTOWN
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2009, with Curt Hudson, President of the Town Council; Evanelle Goss, Clerk-Treasurer; and Linda Pevlor, former Clerk-Treasurer. The officials concurred with our audit findings.

The content of this report concerning the Police Department was discussed separately on December 14, 2009, with Ray Saylor, Town Marshal. The official response has been made a part of this report and may be found on pages 56 and 57.

812-633-2045
812-633-2085 FAX



207 POPLAR STREET
MILLTOWN, IN 47145

Chief Ray E. Saylor

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, Indiana 46204-2765

December 18, 2009

Date of exit conference: December 14, 2009
Period examined: January 1, 2007 to December 31, 2008

To whom this may concern,

Attached is a copy of the exit conference official's response and comments sheet outlining the police department receipts and fees audit comments.

In response to these comments it is the intention of this letter to provide the State Board of Accounts with a basic explanation for this occurrence.

Prior to this audit being conducted I identified three handgun applications where receipts for funds had not been obtained from the Clerk-Treasurer. Upon identifying this information I immediately took the necessary corrective action to remedy this situation. It is my desire to always be in compliance and perform the duties of my office in a professional and responsible manner; however I cannot do so if the Clerk Treasurer is not available to conduct town business.

During the period of January 1, 2007 to present I have consistently consulted with the town council, the town manager and the clerk treasurer over my concern of the clerk treasurer not being at work and the clerk treasurer's office not being open and available to conduct town business. This has been a very difficult issue to address. I have been told repeatedly that neither the town council nor the town manager has any direct authority over the operations of the Clerk Treasurer's office. Additionally, I have also expressed my concerns at the town council monthly meetings and I also discussed this issue with the examiner conducting this audit.

While I have many concerns that still remain regarding the operations of the Clerk Treasurer's office I do believe, as the direct result of this audit, we now have sense of direction for positive change with-in town government. By working with the examiner and the town council president we now have new receipt books, a new procedure for obtaining purchase orders and

a process for verifying available funds prior to purchasing. Additionally, hours have been established for the operation of the Clerk Treasurer's office so that town business can occur. As a whole I do believe that we will be able to move forward in serving our community in more efficient and professional manner.

Pleased note that I do appreciate the time of the examiner who conducted this audit. He was very professional and helpful. While he may have not had all of the answers to my questions his insight has greatly assisted me in having a better understanding of how to avoid future issues. I also appreciate the opportunity to address the State Board of Accounts in regards to my concerns. I believe I have properly addressed the comments made during this audit regarding the police department receipts and fees. I also believe with the cooperation of the Clerk Treasurer's office we should not have any reoccurrences of this issue in the future. Thank you.

Sincerely,



Ray E. Saylor, Chief