

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

EXAMINATION REPORT
OF
TOWN OF MILTON
WAYNE COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/30/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Terry L. Craig

01-01-08 to 12-31-11

President of the Town Council

Donna R. Powell

01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MILTON, WAYNE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Milton (Town), for the period of January 1, 2008 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 8, 2010

TOWN OF MILTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 11,407	\$ 64,142	\$ 81,652	\$ (6,103)
Motor Vehicle Highway	11,569	16,914	22,532	5,951
Local Road and Street	19,866	5,464	10,418	14,912
Cemetery	4,757	2,500	5,685	1,572
Park and Recreation	1,397	3,705	645	4,457
Law Enforcement Continuing Education	72	150	-	222
Rainy Day	17,439	11,713	-	29,152
Economic Development Income Tax	44,379	11,505	11,953	43,931
Cumulative Capital Improvement	6,428	1,044	747	6,725
Cumulative Capital Development	11,121	1,309	1,243	11,187
Cumulative Building and Fire Fighting Equipment	5,203	1,813	3,291	3,725
Grant	-	10,525	-	10,525
Proprietary Funds:				
Water Utility - Operating	9,109	63,666	68,767	4,008
Water Utility - Depreciation	24,218	7,767	19,700	12,285
Water Utility - Customer Deposit	800	575	300	1,075
Trash - Operating	-	38,489	38,434	55
Trash - Depreciation	2,085	415	1,915	585
Fiduciary Fund:				
Payroll	-	91,251	89,705	1,546
Totals	<u>\$ 169,850</u>	<u>\$ 332,947</u>	<u>\$ 356,987</u>	<u>\$ 145,810</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ (6,103)	\$ 121,458	\$ 96,583	\$ 18,772
Motor Vehicle Highway	5,951	16,571	22,457	65
Local Road and Street	14,912	5,074	14,840	5,146
Cemetery	1,572	2,500	2,553	1,519
Park and Recreation	4,457	5,494	2,816	7,135
Law Enforcement Continuing Education	222	234	-	456
Rainy Day	29,152	10,053	-	39,205
Economic Development Income Tax	43,931	47,387	58,683	32,635
Cumulative Capital Improvement	6,725	1,874	860	7,739
Cumulative Capital Development	11,187	2,327	1,655	11,859
Cumulative Building and Fire Fighting Equipment	3,725	1,548	527	4,746
Grant	10,525	333,598	344,083	40
Proprietary Funds:				
Water Utility - Operating	4,008	60,617	72,053	(7,428)
Water Utility - Depreciation	12,285	241,169	240,108	13,346
Water Utility - Customer Deposit	1,075	325	400	1,000
Trash - Operating	55	35,189	38,424	(3,180)
Trash - Depreciation	585	-	85	500
Fiduciary Fund:				
Payroll	1,546	95,031	96,577	-
Totals	<u>\$ 145,810</u>	<u>\$ 980,449</u>	<u>\$ 992,704</u>	<u>\$ 133,555</u>

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

TOWN OF MILTON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF MILTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Event

The Town is constructing a new wastewater facility. The facility is funded by a Community Development Block Grant in the amount of \$1,170,250, a State Revolving Fund Grant in the amount of \$3,735,000, and a State Revolving Loan in the amount of \$616,385.

TOWN OF MILTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Retroactive reporting of general infrastructure assets will not occur.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 6
Buildings	1
Machinery and equipment	<u>103,295</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 103,302</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 1
Buildings	1
Machinery and equipment	<u>192,578</u>
 Total Water Utility capital assets	 <u>192,580</u>
Trash Utility:	
Capital assets, not being depreciated:	
Land	9,000
Machinery and equipment	<u>14,000</u>
 Total Trash Utility capital assets	 <u>23,000</u>
 Total business-type activities capital assets	 <u>\$ 215,580</u>

TOWN OF MILTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ <u>5,964</u>	\$ <u>5,408</u>

TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS

RECEIPT DEPOSITS - TOWN

The following items were noted during a review of Town receipts:

1. During a review of state and local distributions, it was noted that payment methods as indicated on the receipts did not agree with the amount of cash and checks noted on the deposit slips. Further review indicated all payment types noted on all approved receipts were for checks.
2. Receipts were written for more than one source (i.e., state distributions and cemetery lot sales were on the same receipt).
3. A receipt was issued at the end of each month for all park donations received that month. A deposit was made at the end of each month for all park donations received that month. Receipts were not issued to individuals for park donation collections. A review of August, September, and November 2009 deposit slips indicated that all donations received were for cash; however, the receipts noted the payment method as check. Many park donations were received by customers with their utility payments. The Clerk-Treasurer withheld cash utility collections received in an attempt to accumulate enough funds to be receipted and deposited at month end.
4. During the examination, we observed the Clerk-Treasurer receiving a donation by a customer and placing it in the drawer. No receipt was issued for the collection.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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."

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)

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)

UTILITY COLLECTIONS

A review of utility collections indicated the following:

1. The amount of checks and cash noted on Cash Entry Batch Lists (which lists customer payments, amount paid, cash or check number, whichever is applicable, etc.) for the period July 2009 to December 2009, did not agree with the amount of checks and cash noted on the deposit slips.

TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

2. A review of the bank statements indicated collections were not deposited daily.
3. Pay stubs did not indicate the date paid, payment method, or amount paid.
4. In December 2009, postings to customer accounts for utility collections were not always deposited the same date. Some collections were posted to customer accounts prior to deposit. In other instances, collections were deposited prior to posting to customer accounts.
5. Month end calculations of 2009 accounts receivable were made and compared to the actual month end accounts receivable amounts per the Clerk-Treasurer's records. Beginning April 30, 2009, calculated accounts receivable did not agree with the actual accounts receivable amounts per the Clerk-Treasurer's records.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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."

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)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY RECORDKEEPING

Record transfers for payroll expenses were made from the Water Operating and Trash Operating Funds to the Payroll Fund. Bank transfers for these payroll expenses were not made at the time of the record transfers. A payroll transfer was posted to the records on December 24, 2008; however, the bank transfer was not made until February 11, 2009.

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)

TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of the General Fund was overdrawn as of December 31, 2008, and the cash balances of the Trash Operating Fund and Water Operating Fund were overdrawn as of December 31, 2009.

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)

FINANCE CHARGES

In 2008, the Town paid a finance charge of \$17 for a delinquent loan payment made and in 2009 the Town paid a finance charge of \$34.15 for the late payment of vendor invoices.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

CONDITION OF RECORDS AND PRESCRIBED FORMS

Based on procedures performed, the following items were noted:

1. A yearly Revenue Detail History and an Appropriation Detail History was not available for examination. The Clerk-Treasurer generated monthly reports; however, revenue and appropriation reports were not always generated making it impossible to trace some transactions to the records.
2. The Clerk-Treasurer's records did not include a state and federal grant received.
3. Mileage Form 101 was not in use.
4. Capital Assets Ledger (form 211) was not in use.
5. An Aged Trial Balance as of December 31, 2008, and December 31, 2009, was not available for examination.

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 MILTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
General	2008	\$ 1,307
Motor Vehicle Highway	2008	3,832
Cumulative Building and Fire Fighting Equipment	2008	1,532
General	2009	2,433
Local Road and Street	2009	1,768
Economic Development Income Tax	2009	10,057

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."

INAPPROPRIATE TRANSFERS TO RAINY DAY FUND

In 2008, transfers were made to the Rainy Day Fund from various funds including the Local Road and Street Fund, Cumulative Building and Fire Fighting Equipment Fund, Park and Recreation Fund and Cemetery Fund. Disbursements exceeded approved appropriations for the Local Road and Street Fund and the Cumulative Building and Fire Fighting Equipment Fund for the calendar year 2008. The Park and Recreation Fund and Cemetery Fund do not receive tax revenue.

In 2009, transfers were made to the Rainy Day Fund from various funds including the General Fund, Local Road and Street Fund, Economic Development Income Tax Fund, Park and Recreation Fund and Cemetery Fund. Disbursements exceeded approved appropriations for the General Fund, Local Road and Street Fund and the Economic Development Income Tax Fund for the calendar year 2009. The Park and Recreation Fund and Cemetery Fund do not receive tax revenue. The Town Council did not approve the transfers made in 2009.

IC 36-1-8-5 states in part:

"(a) This section applies to all funds raised by a general or special tax levy on all the taxable property of a political subdivision.

(b) Whenever the purposes of a tax levy have been fulfilled and an unused and unencumbered balance remains in the fund, the fiscal body of the political subdivision shall order the balance of that fund to be transferred as follows, unless a statute provides that it be transferred otherwise:

- (1) Funds of a county, to the general fund or rainy day fund of the county, as provided in section 5.1 of this chapter.
- (2) Funds of a municipality, to the general fund or rainy day fund of the municipality, as provided in section 5.1 of this chapter.

TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) Funds of a township for redemption of township assistance obligations, to the township assistance fund of the township or rainy day fund of the township, as provided in section 5.1 of this chapter.
- (4) Funds of any other political subdivision, to the general fund or rainy day fund of the political subdivision, as provided in section 5.1 of this chapter. However, if the political subdivision is dissolved or does not have a general fund or rainy day fund, then to the general fund of each of the units located in the political subdivision in the same proportion that the assessed valuation of the unit bears to the total assessed valuation of the political subdivision."

OFFICIAL BOND

The official bonds for the Clerk-Treasurer were not filed in the Office of the County Recorder.

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. . . ."

UTILITY RECEIPTS TAX AND SALES TAX REMITTED

Utility Receipts Tax due was computed using collections from customers subject to sales tax. No other receipts were included in the computation.

Sales tax remitted to the Indiana Department of Revenue was based on collections received by customers who were subject to sales tax rather than billings.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

COLLECTION OF AMOUNTS DUE

The Street/Water/Building Inspector was overpaid for straight time worked by \$449.28 in 2008 and in 2009 for a total of \$898.56 for the examination period. In addition, his hourly rate for overtime was overpaid by .33 per hour.

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

TOWN OF MILTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

SUPPORTING DOCUMENTATION

A Town Council Member was hired as a consultant to oversee the street project at an hourly rate of \$10 per hour. He was paid \$105 and \$464.75 in 2008 and 2009, respectively. No documentation was provided to support the number of hours worked.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

Customers who do not pay their utility bills by the fifteenth day of the month are to incur a late fee of 20%. Penalties were not charged until days after the fifteenth day of the month for all months in 2009. Penalties were at times not charged until two weeks after the fifteenth day of the month.

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 MILTON
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2010, with Terry L. Craig, Clerk-Treasurer, and Donna R. Powell, President of the Town Council.