

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF MILAN  
RIPLEY COUNTY, INDIANA

January 1, 2016 to December 31, 2016



**FILED**  
03/01/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debra Fugate Hackman	01-01-16 to 12-31-22
President of the Town Council	Noel Houze	01-01-16 to 12-31-18



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the Town of Milan (Town), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statement***

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

### ***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2016.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*Other Information*

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2018, 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 solely 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 effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

December 27, 2018



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Milan (Town), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement, and have issued our report thereon dated December 27, 2018, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001 and 2016-002, that we consider to be material weaknesses.

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

**Compliance and Other Matters**


As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-002.

**Town of Milan's Response to Findings**

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

**Purpose of This Report**

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

  
Paul D. Joyce, CPA  
State Examiner

December 27, 2018

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TOWN OF MILAN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
GENERAL FUND	\$ 131,130	\$ 420,084	\$ 339,955	\$ 211,259
MOTOR VEHICLE HIGHWAY	51,736	67,516	54,612	64,640
LOCAL ROAD & STREET	44,452	6,393	2,912	47,933
LOCAL LAW ENF CONT ED	1,188	1,601	400	2,389
STATE RIVERBOAT	51,474	11,224	-	62,698
PARK & RECREATION	(1,035)	16,873	3,720	12,118
RAINY DAY	9,140	-	-	9,140
POLICE K-9 FUND	3,162	-	87	3,075
LEVY EXCESS	1,304	-	-	1,304
CUM CAP IMP - CIG TAX	21,652	4,840	-	26,492
BOB BRANIGAN MEMORIAL FUND	-	450	-	450
ECONOMIC DEV INCOME TAX	115,251	20,888	3,008	133,131
PARK DONATIONS	-	7,679	1,599	6,080
PIKE PROJECT	-	87,187	87,500	(313)
LOIT SPECIAL DISTRIBUTION	-	18,267	-	18,267
BAYLOR FOUNDATION FLAGS	1,010	2,000	-	3,010
DUKE ENERGY GRANT	5,000	-	5,000	-
LOCAL GRANT FUND	1,915	-	-	1,915
INDEPENDENCE DAY DONATION	(250)	-	-	(250)
SPECIAL POLICE FUND FINES	200	-	-	200
FEDERAL GRANT FUND	-	981,640	959,734	21,906
C & H/M RETAINAGE	-	25,276	-	25,276
LOCAL RIVERBOAT	651,373	169,963	55,618	765,718
UTILITY CLEARING	275,878	982,918	1,091,170	167,626
PAYROLL	151	299,027	294,446	4,732
(DNU) PERF	198	-	-	198
(DNU) HSA	25	-	-	25
WASTEWATER UTILITY OPERATING	236,556	458,456	501,421	193,591
WASTEWATER BOND & INTEREST	-	243,981	175,981	68,000
WASTEWATER DEBT RESERVE	163,325	-	-	163,325
WATER UTILITY OPERATING	22,084	441,457	354,020	109,521
WATER CUSTOMER DEPOSIT	91,142	18,200	2,936	106,406
<b>Totals</b>	<b>\$ 1,878,061</b>	<b>\$ 4,285,920</b>	<b>\$ 3,934,119</b>	<b>\$ 2,229,862</b>

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

TOWN OF MILAN  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

**D. Receipts**

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

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

*Licenses and permits.* Amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MILAN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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

*Utility fees.* Amounts received from charges for current services.

*Penalties.* Amounts received from late payment fees.

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

**E. Disbursements**

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

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

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF MILAN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. Interfund Transfers**

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

**G. Fund Accounting**

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF MILAN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

State statutes authorize the Town to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

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

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

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

TOWN OF MILAN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. This is a result of expenditures exceeding revenues and available cash balance from the prior year.

**Note 8. Subsequent Event**

The Town received \$287,740 from the Community Crossings Matching Grant Program during the years 2017 and 2018.

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#### OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

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

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

TOWN OF MILAN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2016

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	LOCAL LAW ENF CONT ED	STATE RIVERBOAT
Cash and investments - beginning	\$ 131,130	\$ 51,736	\$ 44,452	\$ 1,188	\$ 51,474
Receipts:					
Taxes	167,519	-	-	-	-
Licenses and permits	4,322	-	-	1,514	-
Intergovernmental receipts	117,569	67,516	6,393	-	11,224
Charges for services	99,683	-	-	87	-
Fines and forfeits	1,118	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	29,873	-	-	-	-
Total receipts	420,084	67,516	6,393	1,601	11,224
Disbursements:					
Personal services	166,761	23,965	-	-	-
Supplies	14,492	7,918	1,712	110	-
Other services and charges	151,022	22,729	1,200	290	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	7,680	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	339,955	54,612	2,912	400	-
Excess (deficiency) of receipts over disbursements	80,129	12,904	3,481	1,201	11,224
Cash and investments - ending	\$ 211,259	\$ 64,640	\$ 47,933	\$ 2,389	\$ 62,698

TOWN OF MILAN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2016

	PARK & RECREATION	RAINY DAY	POLICE K-9 FUND	LEVY EXCESS	CUM CAP IMP - CIG TAX
Cash and investments - beginning	\$ (1,035)	\$ 9,140	\$ 3,162	\$ 1,304	\$ 21,652
Receipts:					
Taxes	2,625	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	448	-	-	-	4,840
Charges for services	13,800	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	-	-	-
Total receipts	<u>16,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,840</u>
Disbursements:					
Personal services	-	-	-	-	-
Supplies	761	-	-	-	-
Other services and charges	2,473	-	87	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	486	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	<u>3,720</u>	<u>-</u>	<u>87</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>13,153</u>	<u>-</u>	<u>(87)</u>	<u>-</u>	<u>4,840</u>
Cash and investments - ending	<u>\$ 12,118</u>	<u>\$ 9,140</u>	<u>\$ 3,075</u>	<u>\$ 1,304</u>	<u>\$ 26,492</u>

TOWN OF MILAN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2016

	BOB BRANIGAN MEMORIAL FUND	ECONOMIC DEV INCOME TAX	PARK DONATIONS	PIKE PROJECT	LOIT SPECIAL DISTRIBUTION
Cash and investments - beginning	\$ -	\$ 115,251	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	20,888	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	450	-	7,679	87,187	18,267
Total receipts	450	20,888	7,679	87,187	18,267
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	1,599	-	-
Other services and charges	-	3,008	-	87,500	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	-	3,008	1,599	87,500	-
Excess (deficiency) of receipts over disbursements	450	17,880	6,080	(313)	18,267
Cash and investments - ending	\$ 450	\$ 133,131	\$ 6,080	\$ (313)	\$ 18,267

TOWN OF MILAN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2016

	BAYLOR FOUNDATION FLAGS	DUKE ENERGY GRANT	LOCAL GRANT FUND	INDEPENDENCE DAY DONATION	SPECIAL POLICE FUND FINES
Cash and investments - beginning	\$ 1,010	\$ 5,000	\$ 1,915	\$ (250)	\$ 200
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	2,000	-	-	-	-
Total receipts	2,000	-	-	-	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	5,000	-	-	-
Total disbursements	-	5,000	-	-	-
Excess (deficiency) of receipts over disbursements	2,000	(5,000)	-	-	-
Cash and investments - ending	\$ 3,010	\$ -	\$ 1,915	\$ (250)	\$ 200

TOWN OF MILAN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2016

	FEDERAL GRANT FUND	C & H/M RETAINAGE	LOCAL RIVERBOAT	UTILITY CLEARING	PAYROLL
Cash and investments - beginning	\$ -	\$ -	\$ 651,373	\$ 275,878	\$ 151
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	981,640	-	-	-	-
Charges for services	-	-	168,596	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	25,276	1,367	982,918	299,027
Total receipts	981,640	25,276	169,963	982,918	299,027
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	1,696	79	-
Other services and charges	-	-	31,954	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	959,734	-	21,968	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	1,091,091	294,446
Total disbursements	959,734	-	55,618	1,091,170	294,446
Excess (deficiency) of receipts over disbursements	21,906	25,276	114,345	(108,252)	4,581
Cash and investments - ending	\$ 21,906	\$ 25,276	\$ 765,718	\$ 167,626	\$ 4,732

TOWN OF MILAN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2016

	(DNU) PERF	(DNU) HSA	WASTEWATER UTILITY OPERATING	WASTEWATER BOND & INTEREST
Cash and investments - beginning	\$ 198	\$ 25	\$ 236,556	\$ -
Receipts:				
Taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental receipts	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Utility fees	-	-	445,704	-
Penalties	-	-	9,939	-
Other receipts	-	-	2,813	243,981
Total receipts	-	-	458,456	243,981
Disbursements:				
Personal services	-	-	79,324	-
Supplies	-	-	-	-
Other services and charges	-	-	9,426	-
Debt service - principal and interest	-	-	-	175,981
Capital outlay	-	-	7,211	-
Utility operating expenses	-	-	161,479	-
Other disbursements	-	-	243,981	-
Total disbursements	-	-	501,421	175,981
Excess (deficiency) of receipts over disbursements	-	-	(42,965)	68,000
Cash and investments - ending	\$ 198	\$ 25	\$ 193,591	\$ 68,000

TOWN OF MILAN  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2016

	WASTEWATER DEBT RESERVE	WATER UTILITY OPERATING	WATER CUSTOMER DEPOSIT	Totals
Cash and investments - beginning	\$ 163,325	\$ 22,084	\$ 91,142	\$ 1,878,061
Receipts:				
Taxes	-	-	-	170,144
Licenses and permits	-	-	-	5,836
Intergovernmental receipts	-	-	-	1,210,518
Charges for services	-	-	-	282,166
Fines and forfeits	-	-	-	1,118
Utility fees	-	436,999	-	882,703
Penalties	-	2,553	-	12,492
Other receipts	-	1,905	18,200	1,720,943
Total receipts	-	441,457	18,200	4,285,920
Disbursements:				
Personal services	-	66,033	-	336,083
Supplies	-	-	-	28,367
Other services and charges	-	9,274	-	318,963
Debt service - principal and interest	-	-	-	175,981
Capital outlay	-	363	-	997,442
Utility operating expenses	-	245,781	-	407,260
Other disbursements	-	32,569	2,936	1,670,023
Total disbursements	-	354,020	2,936	3,934,119
Excess (deficiency) of receipts over disbursements	-	87,437	15,264	351,801
Cash and investments - ending	\$ 163,325	\$ 109,521	\$ 106,406	\$ 2,229,862

TOWN OF MILAN  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2016

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
General obligation bonds	Wastewater Improvement	\$ 880,000	\$ 163,064
Totals		\$ 880,000	\$ 163,064

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

**Report on Compliance for the Major Federal Program**

We have audited the Town of Milan's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

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

**Report on Internal Control over Compliance**


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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003, that we consider to be a material weakness.

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

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

  
Paul D. Joyce, CPA  
State Examiner

December 27, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

TOWN OF MILAN  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 12-31-16	Total Federal Awards Expended 12-31-16
Department of Housing and Urban Development Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Dam Rehabilitation Project	Indiana Office of Community and Rural Affairs	14.228	DR2-09-270	\$ -	\$ 981,640
Total federal awards expended				<u>\$ -</u>	<u>\$ 981,640</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF MILAN  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2016. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF MILAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
--	----

**Section II - Financial Statement Findings**

**FINDING 2016-001**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting.

*Cash and Investments*

The Town's contracted accountant was responsible for performing the monthly bank reconciliation. There was no documentation of a control in place to prevent, or detect and correct, errors.

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

*Receipts*

One employee was primarily responsible for issuing, posting and depositing receipts, and had access to the system to make adjustments without a proper system of oversight, review, or approval.

*Financial Close and Reporting*

The Clerk-Treasurer uploaded financial information from the Town's accounting software to the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and the financial statement. There was no oversight, review, or approval process to ensure the accuracy of the information prior to submission.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

*Cause*

Management of the Town had not established a proper system of internal controls that segregated key functions.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the Town establish a system of internal controls related to financial transactions and reporting.

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2016-002**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Condition*

The Town did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

*Context*

The SEFA contained the following error:

The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii program was omitted, resulting in an understatement of \$981,640.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the error identified in the *Context*.

*Recommendation*

We recommended that the Town's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2016-003**

Subject: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - Cash Management, Special Tests and Provisions - Wage Rate Requirements

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-270

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Compliance Requirements: Cash Management, Special Tests and Provisions - Wage Rate Requirements

Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the Cash Management and Special Tests and Provisions - Wage Rate Requirements compliance requirements.

*Cash Management*

The Clerk-Treasurer was responsible for compliance with the cash management requirements. There was no oversight, review, or approval process in place to ensure the Town was in compliance.

*Special Tests and Provisions - Wage Rate Requirements*

The Town hired a grant administrator to oversee compliance with the wage rate requirements; however, the Town did not provide oversight to ensure that the grant administrator adequately complied with wage rate requirements.

*Context*

The lack of controls was a systemic issue throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management and Special Tests and Provisions - Wage Rate Requirements compliance requirements.

*Effect*

The failure to establish internal controls could have enabled material noncompliance to go undetected.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Town's management establish controls to ensure compliance with the grant agreement and the Cash Management and Special Tests and Provisions - Wage Rate Requirements compliance requirements.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.



Town of Milan  
211 W Carr P O Box 86  
812-654-3407 FAX 812-654-2869

### CORRECTIVE ACTION PLAN

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Debra Fugate Hackman  
Contact Phone Number: 812-654-3407

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: For the 2019 fiscal year, the Town has implemented a system of internal control designed to prevent, detect and correct errors of the Town's financial transactions and reporting:

Cash and Investments: Beginning in 2019, upon completion of the monthly bank reconciliation prepared by our contracted accountant, the reconciliation will be reviewed by the Clerk-Treasurer and initialed and dated.

Receipts: Beginning in 2019, on a monthly basis the Clerk-Treasurer will begin presenting payment application reports to the Town Council for their review.

Financial Close and Reporting: Beginning in 2019, the Clerk-Treasurer will present the financial information entered into Gateway along with the annual fund report from the Town's accounting software for their review.

Anticipated Completion Date: January 31, 2019

Debra Fugate Hackman  
(Signature)

Clerk Treasurer  
(Title)

12-19-18  
(Date)



Town of Milan  
211 W Carr P O Box 86  
812-654-3407 FAX 812-654-2869

CORRECTIVE ACTION PLAN

**FINDING 2016-002**

Contact Person Responsible for Corrective Action: Debra Fugate Hackman  
Contact Phone Number: 812-654-3407

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Beginning in 2019, the Town will implement a system of internal control designed to prevent, detect and correct errors on the Schedule of Expenditures of Federal Awards to ensure the accurate reporting of federal awards. The Clerk-Treasurer will present the federal grant schedule from Gateway to the Town Council for their review and approval.

Anticipated Completion Date: March 31, 2019

Debra Fugate Hackman  
(Signature)

Clerk Treasurer  
(Title)

12-19-18  
(Date)



Town of Milan  
211 W Carr P O Box 86  
812-654-3407 FAX 812-654-2869

CORRECTIVE ACTION PLAN

**FINDING 2016-003**

Contact Person Responsible for Corrective Action: Debra Fugate Hackman  
Contact Phone Number: 812-654-3407

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: If the Town were to hire a grant administrator to monitor CDBG funds in the future we would make arrangement for another town employee to help monitor the cash management requirements. Also, we will ask that our grant administrator report to us regarding compliance with the wage rate requirements for all contractors for the duration of the project.

Anticipated Completion Date: December 31, 2019

Debra Fugate Hackman  
(Signature)

Clerk Treasurer  
(Title)

12-19-18  
(Date)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.