

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

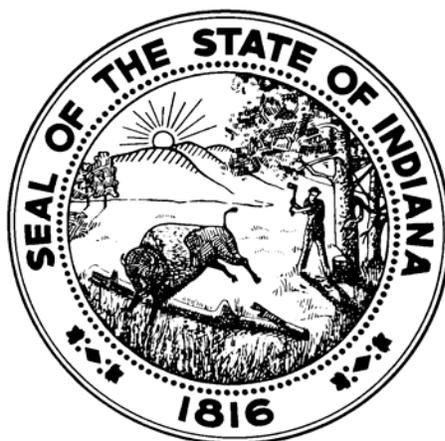
EXAMINATION REPORT

OF

TOWN OF CLAY CITY

CLAY COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED

7/21/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Denetta L. Hane	01-01-03 to 12-31-07
President of the Town Council	Roy Chenoweth Tammy Wilson	01-01-04 to 12-31-05 01-01-06 to 12-31-06
Superintendent of Utilities	Randalee Staley Vacant Richard D. Nelson	01-01-04 to 03-11-05 03-12-05 to 03-13-05 03-14-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CLAY CITY, CLAY COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Clay City (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 7, 2006

TOWN OF CLAY CITY
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, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 100,021	\$ 325,044	\$ 154,514	\$ 270,551
Motor Vehicle Highway	90,463	31,641	23,024	99,080
Local Road and Street	15,435	5,299	1,119	19,615
Reserve Officer	521	-	513	8
Law Enforcement Continuing Education	1,923	335	-	2,258
Build Indiana Fund System Renovations	17,350	-	-	17,350
Indiana Police Grant	102	-	-	102
Street Light Project	12,523	14,482	-	27,005
Cumulative Capital Improvement	53,535	5,744	-	59,279
Proprietary Funds:				
Water Utility - Operating	273,549	436,604	537,980	172,173
Water Utility - Bond and Interest	-	15,652	15,652	-
Water Utility - Depreciation	1,267	-	-	1,267
Water Utility - Customer Deposit	27,039	4,464	2,639	28,864
Wastewater Utility - Operating	106,535	256,027	189,759	172,803
Wastewater Utility - Bond and Interest	38,146	255	-	38,401
Wastewater Utility - Depreciation	8,094	-	-	8,094
Fiduciary Fund:				
Payroll	10,697	185,573	189,595	6,675
Totals	<u>\$ 757,200</u>	<u>\$ 1,281,120</u>	<u>\$ 1,114,795</u>	<u>\$ 923,525</u>
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 270,551	\$ 249,751	\$ 213,628	\$ 306,674
Motor Vehicle Highway	99,080	30,935	25,163	104,852
Local Road and Street	19,615	5,303	-	24,918
Park and Recreation	8	-	-	8
Law Enforcement Continuing Education	2,258	454	108	2,604
Build Indiana Fund System Renovations	17,350	30	1,118	16,262
Rainy Day	102	-	-	102
Street Light Project	27,005	6,788	15	33,778
Cumulative Capital Improvement	59,279	3,351	2,700	59,930
Proprietary Funds:				
Water Utility - Operating	172,173	427,248	437,256	162,165
Water Utility - Bond and Interest	-	15,652	15,652	-
Water Utility - Depreciation	1,267	600	-	1,867
Water Utility - Customer Deposit	28,864	2,870	1,592	30,142
Wastewater Utility - Operating	172,803	162,947	185,708	150,042
Wastewater Utility - Bond and Interest	38,401	600	-	39,001
Wastewater Utility - Depreciation	8,094	600	-	8,694
Fiduciary Fund:				
Payroll	6,675	197,232	197,020	6,887
Totals	<u>\$ 923,525</u>	<u>\$ 1,104,361</u>	<u>\$ 1,079,960</u>	<u>\$ 947,926</u>

The accompanying notes are an integral part of the schedules.

TOWN OF CLAY CITY
NOTES TO SCHEDULES

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.

TOWN OF CLAY CITY
NOTES TO SCHEDULES
(Continued)

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.

Note 6. Long-Term Debt

The Town has entered into various debt such as a capital lease for police cars. The outstanding principal at December 31, 2005, was \$30,926.

Note 7. Subsequent Event

The Town has been awarded \$3,467,000 from USDA Rural Development for a Wastewater Treatment Plant Improvement Project.

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER - WATER UTILITY

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and 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)

PUBLIC RECORDS RETENTION - TOWN, WATER AND WASTEWATER UTILITIES

The 2004 Salary Ordinance was not presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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)

UTILITY RECEIPTS TAX - WATER UTILITY

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue from April 2005 through December 31, 2005.

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 Indiana Code 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)

PRESCRIBED FORMS - TOWN

The following prescribed or approved form was not in use, City and Town Form 209 Ledger of Appropriations, Encumbrances, Disbursements and Balances.

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 CLAY CITY
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2006, with Denetta L. Hane, Clerk-Treasurer; and Tammy Wilson, President of the Town Council.