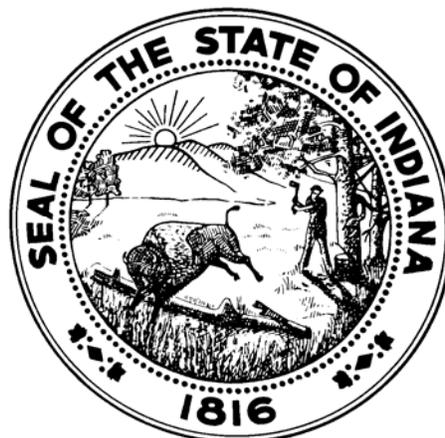


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
TOWN OF CLAYTON  
HENDRICKS COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
10/11/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Virginia McKamey	01-01-05 to 12-31-07
President of the Town Council	Lance Mitchell	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CLAYTON, HENDRICKS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Clayton (Town), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 30, 2007

TOWN OF CLAYTON  
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 192,615	\$ 156,757	\$ 202,636	\$ 146,736
Motor Vehicle Highway	38,597	29,164	32,720	35,041
Local Road and Street	45,623	15,506	16,326	44,803
Law Enforcement Continuing Education	2,863	355	-	3,218
Riverboat	247	4,370	4,370	247
Cumulative Capital Improvement	18,399	2,250	9,141	11,508
Police Equipment Fundraiser	1,879	-	1,256	623
County Economic Development Income Tax	53,715	16,648	19,395	50,968
Proprietary Funds:				
Wastewater Utility - Operating	30,961	215,102	219,450	26,613
Wastewater Utility - Bond and Interest	234	40,117	40,000	351
Wastewater Utility - Depreciation	90	15,978	-	16,068
Fiduciary Fund:				
Payroll	-	107,025	107,025	-
Totals	<u>\$ 385,223</u>	<u>\$ 603,272</u>	<u>\$ 652,319</u>	<u>\$ 336,176</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 146,736	\$ 177,866	\$ 254,826	\$ 69,776
Motor Vehicle Highway	35,041	84,418	53,789	65,670
Local Road and Street	44,803	9,275	15,000	39,078
Law Enforcement Continuing Education	3,218	1,008	-	4,226
Riverboat	247	-	-	247
Cumulative Capital Improvement	11,508	2,660	2,230	11,938
Police Equipment Fundraiser	623	-	623	-
County Economic Development Income Tax	50,968	18,230	25,449	43,749
Proprietary Funds:				
Wastewater Utility - Operating	26,613	225,317	223,896	28,034
Wastewater Utility - Bond and Interest	351	40,123	25,000	15,474
Wastewater Utility - Depreciation	16,068	16,317	25,000	7,385
Fiduciary Fund:				
Payroll	-	127,014	127,014	-
Totals	<u>\$ 336,176</u>	<u>\$ 702,228</u>	<u>\$ 752,827</u>	<u>\$ 285,577</u>

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

TOWN OF CLAYTON  
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 CLAYTON  
EXAMINATION RESULTS AND COMMENTS

LAW ENFORCEMENT EXPENDITURES FROM MVH

Motor Vehicle Highway Funds used for law enforcement purposes exceeded statutory limits. Amounts expended for law enforcement purposes represented 26% and 18% of amounts distributed in 2005 and 2006, respectively.

Indiana Code 8-14-1-5 allows cities and towns to use a portion of Motor Vehicle Highway Funds for law enforcement purposes, subject to the following limitations:

- "(1) For cities and towns with a population of 5,000 or more, no more than 10% of the amounts distributed may be spent for law enforcement purposes.
- (2) For cities and towns with a population of less than 5,000, no more than 15% of the amounts distributed may be spent for law enforcement purposes."

CAPITAL ASSET RECORDS

The capital asset records for both the Town and its Wastewater Utility are not complete.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL DEDUCTIONS

Payments were made to the Town Council members without payroll deductions for taxes.

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)

TOWN OF CLAYTON  
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2007, with Virginia McKamey, Clerk-Treasurer.