

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

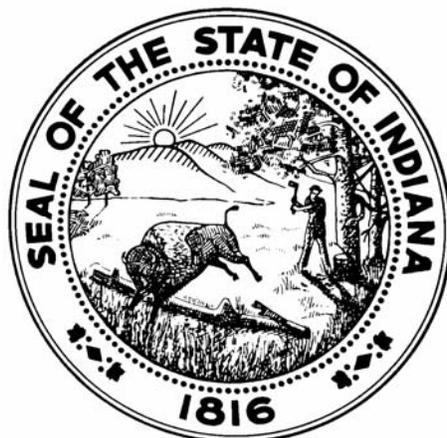
EXAMINATION REPORT

OF

TOWN OF CLAY CITY

CLAY COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
11/14/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Denetta Hane	01-01-04 to 12-31-07
President of the Town Council	Tammy Wilson	01-01-06 to 12-31-07
Superintendent of Utilities	Richard Nelson	01-01-06 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 CLAY CITY, CLAY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Clay City (Town), for the period of January 1, 2006 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 year ended December 31, 2006, 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

October 4, 2007

TOWN OF CLAY CITY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 306,674	\$ 229,122	\$ 233,774	\$ 302,022
Motor Vehicle Highway	104,852	37,273	24,026	118,099
Local Road and Street	24,918	5,119	-	30,037
Reserve Officer	8	500	508	-
Law Enforcement Continuing Education	2,604	863	642	2,825
Build Indiana Fund System Renovations	16,262	-	-	16,262
Indiana Police Grant	102	-	-	102
Street Light Project	33,778	4,309	-	38,087
Deferral Program	-	9,900	2,700	7,200
Cumulative Capital Improvement	59,930	5,306	-	65,236
Proprietary Funds:				
Water Utility - Operating	162,165	252,574	265,101	149,638
Water Utility - Bond and Interest	-	15,652	15,652	-
Water Utility - Depreciation	1,867	600	-	2,467
Water Utility - Customer Deposit	30,142	3,883	2,256	31,769
Wastewater Utility - Operating	150,042	165,143	212,009	103,176
Wastewater Utility - Bond and Interest	39,001	1,968	-	40,969
Wastewater Utility - Depreciation	8,694	600	-	9,294
Fiduciary Fund:				
Payroll	6,887	209,657	209,524	7,020
Totals	<u>\$ 947,926</u>	<u>\$ 942,469</u>	<u>\$ 966,192</u>	<u>\$ 924,203</u>

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

TOWN OF CLAY CITY
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 (Indiana Code 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 (Indiana Code 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. Subsequent Event

The Town was awarded \$3,467,000 from USDA Rural Development for a Wastewater Treatment Plant Improvement Project in 2007.

TOWN OF CLAY CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 5,000
Buildings	58,725
Machinery and equipment	<u>381,324</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 445,049</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 2,639,137
Machinery and equipment	<u>153,001</u>
Total Water Utility capital assets	<u>2,792,138</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	10,461
Buildings	497,552
Improvements other than buildings	1,589,932
Machinery and equipment	<u>110,701</u>
Total Wastewater Utility capital assets	<u>2,208,646</u>
Total business-type activities capital assets	<u>\$ 5,000,784</u>

TOWN OF CLAY CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Loans Payable		
1994 Martz Extension Line Loan	\$ 41,479	\$ 13,349
2000 State Revolving Fund Loan	893,314	-
Wastewater Utility		
Loans Payable		
2001 State Revolving Fund Loan	<u>179,516</u>	<u>-</u>
Total business-type activities long-term debt:	<u>\$ 1,114,309</u>	<u>\$ 13,349</u>

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS (Town)

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General Fund	2006	\$ <u>25,338</u>

Indiana Code 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."

OFFICIAL BOND (Town)

The following official bond was not filed in the Office of the County Recorder:

Denetta Hane, Clerk-Treasurer

Indiana Code 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. . . ."

OPTICAL IMAGES OF WARRANTS (Town and Utilities)

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

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

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

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

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Further, Indiana Code 26-2-8-111 states in part:

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

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

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

CUSTOMER DEPOSIT REGISTER (Water Utility)

As stated in prior Reports B24771 and B27409, the Customer Deposit Register does not reconcile with the Customer Deposit Fund.

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)

TOWN OF CLAY CITY
EXIT CONFERENCE

The contents of this report were discussed on October 4, 2007, with Denetta Hane, Clerk-Treasurer. The official concurred with our findings.