

B37745

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

EXAMINATION REPORT
OF
TOWN OF CLAYPOOL
KOSCIUSKO COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
11/08/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Niki Miller Tricia Marino Arlene Leiter	01-01-05 to 05-31-07 06-01-07 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Donald R. Miller II	01-01-07 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 CLAYPOOL, KOSCIUSKO COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Claypool (Town), for the period of January 1, 2007 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.

Financial records presented for examination were incomplete and not reflective of the activity of the Town's funds. The records presented did not provide sufficient information to examine receipts, disbursements, and ending balances, or the accuracy or correctness of the transactions.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the financial information referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2007, 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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 17, 2010

TOWN OF CLAYPOOL
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, 2007, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 92,236	\$ 120,294	\$ 214,989	\$ (2,459)
Motor Vehicle Highway	45,675	21,622	40,636	26,661
Local Road and Street	7,510	3,184	3,184	7,510
Cemetery	12,544	6,905	9,251	10,198
Grant- Planning	-	505	-	505
Levy Excess	-	3,758	-	3,758
Cumulative Capital Improvement	4,546	1,126	2,000	3,672
Economic Development TIF 1	38,549	14,901	-	53,450
Economic Development TIF 2	37,328	6,888	-	44,216
County Economic Development Income Tax	128,135	21,698	-	149,833
Proprietary Funds:				
Water Utility - Operating	13,735	124,961	93,082	45,614
Water Utility - Depreciation	1,666	-	1,470	196
Water Utility - Customer Deposit	11,241	-	1,849	9,392
Wastewater Utility - Operating	125,004	163,839	95,748	193,095
Wastewater Utility - Bond and Interest	-	-	46,086	(46,086)
Wastewater Utility - Reserve	49,487	-	248	49,239
Fiduciary Fund:				
Payroll	3,823	149,253	149,369	3,707
Totals	\$ 571,479	\$ 638,934	\$ 657,912	\$ 552,501

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (2,459)	\$ 90,054	\$ 182,418	\$ (94,823)
Motor Vehicle Highway	26,661	31,663	37,446	20,878
Local Road and Street	7,510	2,627	6,322	3,815
Cemetery	10,198	2,645	3,733	9,110
Grant- Planning	505	-	-	505
Rainy Day	-	6,155	-	6,155
Levy Excess	3,758	-	-	3,758
Cumulative Capital Improvement	3,672	796	-	4,468
Economic Development TIF 1	53,450	4,996	54,000	4,446
Economic Development TIF 2	44,216	12,400	54,000	2,616
County Economic Development Income Tax	149,833	20,212	10,957	159,088
Proprietary Funds:				
Water Utility - Operating	45,614	73,264	130,095	(11,217)
Water Utility - Depreciation	196	-	32	164
Water Utility - Customer Deposit	9,392	50,750	458	59,684
Wastewater Utility - Operating	193,095	116,328	171,096	138,327
Wastewater Utility - Bond and Interest	(46,086)	-	24,862	(70,948)
Wastewater Utility - Reserve	49,239	-	10	49,229
Fiduciary Fund:				
Payroll	3,707	188,539	137,311	54,935
Totals	\$ 552,501	\$ 600,429	\$ 812,740	\$ 340,190

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ (94,823)	\$ 301,133	\$ 180,441	\$ 25,869
Motor Vehicle Highway	20,878	53,262	49,640	24,500
Local Road and Street	3,815	6,722	3,200	7,337
Cemetery	9,110	8,277	4,689	12,698
Law Enforcement Continuing Education	-	50	-	50
Grant- Planning	505	-	-	505
Water CDBG Grant	-	86,300	-	86,300
Rainy Day	6,155	599	-	6,754
Levy Excess	3,758	-	2,805	953
Cumulative Capital Improvement	4,468	3,435	2,119	5,784
Economic Development TIF 1	4,446	27,939	7,173	25,212
Economic Development TIF 2	2,616	27,155	7,075	22,696
County Economic Development Income Tax	159,088	67,973	140,600	86,461
Proprietary Funds:				
Water Utility - Operating	(11,217)	158,662	118,122	29,323
Water Utility - Depreciation	164	52	-	216
Water Utility - Customer Deposit	59,684	-	48,155	11,529
Wastewater Utility - Operating	138,327	248,565	232,522	154,370
Wastewater Utility - Bond and Interest	(70,948)	99,408	28,460	-
Wastewater Utility - Reserve	49,229	-	40	49,189
Fiduciary Fund:				
Payroll	54,935	132,713	175,525	12,123
Totals	\$ 340,190	\$ 1,222,245	\$ 1,000,566	\$ 561,869

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

TOWN OF CLAYPOOL
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.

Note 6. Subsequent Event

In August 2009, the Town of Claypool was awarded a Community Development Block Grant through the Indiana Office of Community and Rural Affairs. The grant of \$425,000 will be used for a water improvement project with work to begin in early 2010.

TOWN OF CLAYPOOL
 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
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
2001 Sewage Works Refunding Revenue Bonds	\$ <u>53,000</u>	\$ <u>29,083</u>

TOWN OF CLAYPOOL
EXAMINATION RESULTS AND COMMENTS

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town of Claypool owes the Water Utility hydrant rental of \$49,990 for prior years and current charges through December 31, 2009, pursuant to Rate Ordinance 2007-04-16 passed by the Town Council on May 21, 2007.

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)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use, or used in the manner prescribed:

Capital Asset Ledger, City and Town Form 211
Annual City and Town Financial Report - CTAR 1
General Form 101 - Mileage Claim

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)

CAPITAL ASSET RECORDS - TOWN AND UTILITIES

The Town and Utilities did not maintain any capital asset records during the examination period.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

ANNUAL REPORT

An annual report for 2007 or 2008 was not presented for examination.

IC 5-3-1-3(a) states, in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register was not in balance with the Utility Meter Deposit Fund's cash balance as of December 31, 2007, 2008, or 2009. The subsidiary ledger had a greater balance than the control account by \$875.50 at December 31, 2009.

TOWN OF CLAYPOOL
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

UTILITY RECEIPTS TAX

The Claypool Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for the periods ending December 31, 2008 and 2009. The Town of Claypool is liable for Utility Receipt Tax but has not remitted payment to the Indiana Department of Revenue since January 2009. Additionally, the Town has not filed a URT-1 form since 2002.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$608.82 were paid to the Internal Revenue Service, and \$130.95 to the Indiana Department of Revenue, during 2007-2009 for delinquent and/or incorrect payments of payroll withholding taxes. Also, the payments of penalty and interest charges to the Indiana Department of Revenue were made during the same time period for delinquent sales and utility receipt taxes in the amount of \$661.70.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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)

CREDIT CARDS

The Town of Claypool is using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

TOWN OF CLAYPOOL
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRAVEL POLICY

The Claypool Town Council has not adopted a written travel policy, to be in compliance with applicable statutes, to support the reimbursement of travel expenses by town employees and officials.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CLAYPOOL
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

Financial records presented for examination were incomplete, disorganized, and not reflective of the activity of the Town of Claypool for 2007 - 2009. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

Numerous monthly fund reports were not available for examination, as well as several utility billing and collection reports. Comprehensive annual records of the Town's funds and its Utilities were also not presented. In some instances, there were several versions of a given report with the same date but differing amounts, with no indication of the correct version. Available records for 2007 and 2008 were particularly difficult to locate. Most of these were jumbled together in boxes and totes, instead of being neatly labeled and filed for audit. Town Council meeting minutes were also not kept together in an orderly fashion.

In addition to the Town's computerized accounting system, the Clerk-Treasurer has relied upon her own monthly spreadsheets to track the transactions of the Town and its Utilities and to reconcile the funds to the bank accounts. At times there seems to be many differences between the official computerized system (Keystone) and the Clerk-Treasurer's spreadsheets. The Clerk-Treasurer has expressed much confusion and frustration with her use of the Keystone system and its reporting capabilities. The Town of Claypool was awarded a large Community Development Block Grant in 2009, for improvements to its water system. Currently the Clerk-Treasurer is not posting detailed records of these grant monies to her Keystone ledger; but instead allows an outside grant administrator to control the recordkeeping of these activities that have occurred in 2010.

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)

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 CLAYPOOL
EXIT CONFERENCE

The contents of this report were discussed on August 17, 2010, with David S. Dills, Council member; Larry D. Nehr, Council member; Donald R. Miller II, President of the Town Council; and Arlene Leiter, Clerk-Treasurer. The officials concurred with our findings.