

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF CLAY CITY

CLAY COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
11/30/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Denetta L. Hane	01-01-08 to 12-31-11
President of the Town Council	Guy J. Dickerson	01-01-09 to 12-31-11
Superintendent of Utilities	Richard Nelson	01-01-09 to 12-31-11



STATE OF INDIANA
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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 statements of the Town of Clay City (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 13, 2011

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FINANCIAL STATEMENTS

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

TOWN OF CLAY CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 347,864	\$ 242,759	\$ 225,548	\$ 365,075
Motor Vehicle Highway	156,239	24,900	1,498	179,641
Local Road And Street	40,082	4,185	-	44,267
Law Enforcement Continuing Ed	4,940	1,318	664	5,594
Deferral Program	8,187	1,649	5,315	4,521
Riverboat	-	6,377	-	6,377
Build Indiana	15,755	-	-	15,755
Indiana Police Grant	102	-	-	102
Street Lights USA Project	38,308	464	1,899	36,873
Highway Project	-	229,436	229,436	-
Cumulative Capital Improvement	67,515	6,765	-	74,280
Payroll	2,134	242,692	240,378	4,448
Wastewater Utility Operating	125,414	315,837	327,156	114,095
Wastewater Utility Bond and Interest	31,334	19,413	19,626	31,121
Wastewater Utility Depreciation Improvement	10,494	249	4,075	6,668
Wastewater Utility Construction	1,612	79,941	30,635	50,918
Wastewater Utility Debt Reserve	90,495	29,345	-	119,840
Water Utility Operating	108,234	348,121	396,735	59,620
Water Utility Bond and Interest	56,679	72,006	67,644	61,041
Water Utility Depreciation Improvement	3,667	-	3,667	-
Water Utility Customer Deposit	35,645	3,612	1,788	37,469
Water Utility Other #1	-	14,437	14,437	-
Water Utility Debt Reserve	54,414	30,901	-	85,315
Totals	<u>\$ 1,199,114</u>	<u>\$ 1,674,407</u>	<u>\$ 1,570,501</u>	<u>\$ 1,303,020</u>

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

TOWN OF CLAY CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 365,075	\$ 248,540	\$ 218,671	\$ 394,944
Motor Vehicle Highway	179,641	20,768	850	199,559
Local Road And Street	44,267	3,383	-	47,650
Law Enforcement Continuing Ed Deferral Program	5,594	518	-	6,112
Riverboat	4,521	2,750	660	6,611
Build Indiana	6,377	6,377	-	12,754
Indiana Police Grant	15,755	-	-	15,755
LOIT Public Safety	102	-	-	102
Street Lights USA Project	-	27,953	-	27,953
Highway Project	36,873	536	20,948	16,461
Cumulative Capital Improvement	-	256,206	256,206	-
Payroll	74,280	7,142	-	81,422
Wastewater Utility Operating	4,448	234,998	238,367	1,079
Wastewater Utility Bond and Interest	114,095	299,504	384,141	29,458
Wastewater Utility Depreciation Improvement	31,121	18,973	19,191	30,903
Wastewater Utility Construction	6,668	-	-	6,668
Wastewater Utility Debt Reserve	50,918	33,107	33,170	50,855
Water Utility Operating	119,840	29,076	-	148,916
Water Utility Bond and Interest	59,620	300,343	320,598	39,365
Water Utility Customer Deposit	61,041	75,855	71,266	65,630
Water Utility Debt Reserve	37,469	4,151	2,515	39,105
	<u>85,315</u>	<u>5,145</u>	<u>-</u>	<u>90,460</u>
Totals	<u>\$ 1,303,020</u>	<u>\$ 1,575,325</u>	<u>\$ 1,566,583</u>	<u>\$ 1,311,762</u>

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

TOWN OF CLAY CITY
NOTES TO FINANCIAL STATEMENTS

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, trash, aviation, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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 statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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 which include 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: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF CLAY CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution 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 which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine 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 which include receipts derived 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 which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are 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 statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows 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 which include 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 office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include 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 CLAY CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are 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, transfer money 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 money 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 money 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 March 1 (lien date) 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 CLAY CITY
NOTES TO FINANCIAL STATEMENTS
(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, 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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Deferral Program	Riverboat
Cash and investments - beginning	\$ 347,864	\$ 156,239	\$ 40,082	\$ 4,940	\$ 8,187	\$ -
Receipts:						
Taxes	139,601	-	-	-	-	-
Licenses and permits	7,228	-	-	1,070	-	-
Intergovernmental	80,114	24,900	4,185	-	-	6,377
Charges for services	-	-	-	8	-	-
Fines and forfeits	-	-	-	240	1,649	-
Utility fees	-	-	-	-	-	-
Other receipts	15,816	-	-	-	-	-
Total receipts	<u>242,759</u>	<u>24,900</u>	<u>4,185</u>	<u>1,318</u>	<u>1,649</u>	<u>6,377</u>
Disbursements:						
Personal services	110,039	-	-	-	258	-
Supplies	31,497	1,498	-	664	5,057	-
Other services and charges	81,514	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	2,498	-	-	-	-	-
Total disbursements	<u>225,548</u>	<u>1,498</u>	<u>-</u>	<u>664</u>	<u>5,315</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>17,211</u>	<u>23,402</u>	<u>4,185</u>	<u>654</u>	<u>(3,666)</u>	<u>6,377</u>
Cash and investments - ending	<u>\$ 365,075</u>	<u>\$ 179,641</u>	<u>\$ 44,267</u>	<u>\$ 5,594</u>	<u>\$ 4,521</u>	<u>\$ 6,377</u>

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Build Indiana	Indiana Police Grant	Street Lights USA Project	Highway Project	Cumulative Capital Improvement	Payroll
Cash and investments - beginning	\$ 15,755	\$ 102	\$ 38,308	\$ -	\$ 67,515	\$ 2,134
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	229,436	5,914	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	464	-	851	242,692
Total receipts	-	-	464	229,436	6,765	242,692
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	229,436	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	1,899	-	-	240,378
Total disbursements	-	-	1,899	229,436	-	240,378
Excess (deficiency) of receipts over disbursements	-	-	(1,435)	-	6,765	2,314
Cash and investments - ending	\$ 15,755	\$ 102	\$ 36,873	\$ -	\$ 74,280	\$ 4,448

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Wastewater Utility Operating	Wastewater Utility Bond and Interest	Wastewater Utility Depreciation Improvement	Wastewater Utility Construction	Wastewater Utility Debt Reserve	Water Utility Operating
Cash and investments - beginning	\$ 125,414	\$ 31,334	\$ 10,494	\$ 1,612	\$ 90,495	\$ 108,234
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	315,772	-	-	-	-	317,941
Other receipts	65	19,413	249	79,941	29,345	30,180
Total receipts	<u>315,837</u>	<u>19,413</u>	<u>249</u>	<u>79,941</u>	<u>29,345</u>	<u>348,121</u>
Disbursements:						
Personal services	64,977	-	-	-	-	64,977
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	183,671	-	-	-	-	-
Capital outlay	-	-	-	30,635	-	-
Utility operating expenses	30,010	15,000	-	-	-	286,035
Other disbursements	48,498	4,626	4,075	-	-	45,723
Total disbursements	<u>327,156</u>	<u>19,626</u>	<u>4,075</u>	<u>30,635</u>	<u>-</u>	<u>396,735</u>
Excess (deficiency) of receipts over disbursements	<u>(11,319)</u>	<u>(213)</u>	<u>(3,826)</u>	<u>49,306</u>	<u>29,345</u>	<u>(48,614)</u>
Cash and investments - ending	<u>\$ 114,095</u>	<u>\$ 31,121</u>	<u>\$ 6,668</u>	<u>\$ 50,918</u>	<u>\$ 119,840</u>	<u>\$ 59,620</u>

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Water Utility Bond and Interest	Water Utility Depreciation Improvement	Water Utility Customer Deposit	Water Utility Other #1	Water Utility Debt Reserve	Totals
Cash and investments - beginning	\$ 56,679	\$ 3,667	\$ 35,645	\$ -	\$ 54,414	\$ 1,199,114
Receipts:						
Taxes	-	-	-	-	-	139,601
Licenses and permits	-	-	-	-	-	8,298
Intergovernmental	-	-	-	-	-	350,926
Charges for services	-	-	-	-	-	8
Fines and forfeits	-	-	-	-	-	1,889
Utility fees	-	-	-	-	-	633,713
Other receipts	72,006	-	3,612	14,437	30,901	539,972
Total receipts	<u>72,006</u>	<u>-</u>	<u>3,612</u>	<u>14,437</u>	<u>30,901</u>	<u>1,674,407</u>
Disbursements:						
Personal services	-	-	-	-	-	240,251
Supplies	-	-	-	-	-	38,716
Other services and charges	-	-	-	-	-	310,950
Debt service - principal and interest	-	-	-	469	-	184,140
Capital outlay	-	-	-	-	-	30,635
Utility operating expenses	-	-	-	13,968	-	345,013
Other disbursements	67,644	3,667	1,788	-	-	420,796
Total disbursements	<u>67,644</u>	<u>3,667</u>	<u>1,788</u>	<u>14,437</u>	<u>-</u>	<u>1,570,501</u>
Excess (deficiency) of receipts over disbursements	<u>4,362</u>	<u>(3,667)</u>	<u>1,824</u>	<u>-</u>	<u>30,901</u>	<u>103,906</u>
Cash and investments - ending	<u>\$ 61,041</u>	<u>\$ -</u>	<u>\$ 37,469</u>	<u>\$ -</u>	<u>\$ 85,315</u>	<u>\$ 1,303,020</u>

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Deferral Program	Riverboat
Cash and investments - beginning	\$ 365,075	\$ 179,641	\$ 44,267	\$ 5,594	\$ 4,521	\$ 6,377
Receipts:						
Taxes	145,655	-	-	-	-	-
Licenses and permits	3,375	-	-	380	-	-
Intergovernmental	94,110	20,768	3,383	-	-	6,377
Fines and forfeits	-	-	-	138	2,750	-
Utility fees	-	-	-	-	-	-
Other receipts	5,400	-	-	-	-	-
Total receipts	<u>248,540</u>	<u>20,768</u>	<u>3,383</u>	<u>518</u>	<u>2,750</u>	<u>6,377</u>
Disbursements:						
Personal services	110,173	-	-	-	660	-
Supplies	20,739	850	-	-	-	-
Other services and charges	86,435	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,324	-	-	-	-	-
Total disbursements	<u>218,671</u>	<u>850</u>	<u>-</u>	<u>-</u>	<u>660</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>29,869</u>	<u>19,918</u>	<u>3,383</u>	<u>518</u>	<u>2,090</u>	<u>6,377</u>
Cash and investments - ending	<u>\$ 394,944</u>	<u>\$ 199,559</u>	<u>\$ 47,650</u>	<u>\$ 6,112</u>	<u>\$ 6,611</u>	<u>\$ 12,754</u>

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Build Indiana	Indiana Police Grant	LOIT Public Safety	Street Lights USA Project	Highway Project	Cumulative Capital Improvement
Cash and investments - beginning	\$ 15,755	\$ 102	\$ -	\$ 36,873	\$ -	\$ 74,280
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	27,953	-	256,206	5,778
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	536	-	1,364
Total receipts	-	-	27,953	536	256,206	7,142
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	256,206	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	20,948	-	-
Total disbursements	-	-	-	20,948	256,206	-
Excess (deficiency) of receipts over disbursements	-	-	27,953	(20,412)	-	7,142
Cash and investments - ending	\$ 15,755	\$ 102	\$ 27,953	\$ 16,461	\$ -	\$ 81,422

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Payroll	Wastewater Utility Operating	Wastewater Utility Bond and Interest	Wastewater Utility Depreciation Improvement	Wastewater Utility Construction	Wastewater Utility Debt Reserve
Cash and investments - beginning	\$ 4,448	\$ 114,095	\$ 31,121	\$ 6,668	\$ 50,918	\$ 119,840
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	292,121	-	-	-	-
Other receipts	234,998	7,383	18,973	-	33,107	29,076
Total receipts	234,998	299,504	18,973	-	33,107	29,076
Disbursements:						
Personal services	-	62,582	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	9,157	-	-	-	-
Utility operating expenses	-	-	19,191	-	-	-
Other disbursements	238,367	312,402	-	-	33,170	-
Total disbursements	238,367	384,141	19,191	-	33,170	-
Excess (deficiency) of receipts over disbursements	(3,369)	(84,637)	(218)	-	(63)	29,076
Cash and investments - ending	\$ 1,079	\$ 29,458	\$ 30,903	\$ 6,668	\$ 50,855	\$ 148,916

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Utility Operating	Water Utility Bond and Interest	Water Utility Customer Deposit	Water Utility Debt Reserve	Totals
Cash and investments - beginning	\$ 59,620	\$ 61,041	\$ 37,469	\$ 85,315	\$ 1,303,020
Receipts:					
Taxes	-	-	-	-	145,655
Licenses and permits	-	-	-	-	3,755
Intergovernmental	-	-	-	-	414,575
Fines and forfeits	-	-	-	-	2,888
Utility fees	264,487	-	-	-	556,608
Other receipts	35,856	75,855	4,151	5,145	451,844
Total receipts	<u>300,343</u>	<u>75,855</u>	<u>4,151</u>	<u>5,145</u>	<u>1,575,325</u>
Disbursements:					
Personal services	62,582	-	-	-	235,997
Supplies	-	-	-	-	21,589
Other services and charges	-	-	-	-	342,641
Capital outlay	13,274	-	-	-	22,431
Utility operating expenses	196,879	-	2,515	-	218,585
Other disbursements	47,863	71,266	-	-	725,340
Total disbursements	<u>320,598</u>	<u>71,266</u>	<u>2,515</u>	<u>-</u>	<u>1,566,583</u>
Excess (deficiency) of receipts over disbursements	<u>(20,255)</u>	<u>4,589</u>	<u>1,636</u>	<u>5,145</u>	<u>8,742</u>
Cash and investments - ending	<u>\$ 39,365</u>	<u>\$ 65,630</u>	<u>\$ 39,105</u>	<u>\$ 90,460</u>	<u>\$ 1,311,762</u>

TOWN OF CLAY CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 Decemeber 31, 2010

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.

	<u>Ending Balance</u>
Other:	
Capital assets, not being depreciated:	
Land	\$ 2,500
Buildings	22,549
Improvements other than buildings	318
Machinery and equipment	<u>94,537</u>
Total other capital assets	<u>119,904</u>
Water Utility:	
Capital assets, not being depreciated:	
Land	10,000
Buildings	41,250
Improvements other than buildings	1,411,120
Machinery and equipment	<u>19,869</u>
Total Water Utility capital assets	<u>1,482,239</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	10,461
Buildings	497,552
Improvements other than buildings	3,445,081
Machinery and equipment	<u>33,021</u>
Total Wastewater Utility capital assets	<u>3,986,115</u>
Total capital assets not being depreciated	<u>\$ 5,468,354</u>

TOWN OF CLAY CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
2000 State Revolving Fund	\$ 653,000	\$ 75,053
Wastewater Utility:		
Revenue bonds:		
1998 State Revolving Fund	137,016	18,756
2007 U.S. Department of Agriculture	2,922,000	145,017
Total Wastewater Utility	3,059,016	163,773
Total business-type activities debt	\$ 3,712,016	\$ 238,826

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS

DELINQUENT ACCOUNTS RECEIVABLE (Applies to Water and Wastewater Utilities)

Ordinance CCMC 2-10-4 established the shut-off policy for delinquent customers.

Brian Moyer, who was a Town employee until March 14, 2011, has been delinquent since March 15, 2009. This account remains unpaid as of October 13, 2011, with amounts due to the Water and Wastewater Utilities of \$560 and \$1,123, respectively, for a total of \$1,683.

The Utility did not shut off service to the employee as required by the ordinance.

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)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

Delinquent wastewater fees and penalties were not recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND (Applies to Town)

The amount of coverage of the Town Clerk-Treasurer's current official bond is \$15,000.

Public Law 176, House Enrolled Act 1514, effective July 1, 2009, amended Indiana Code 5-4-1-18 regarding the amount of some official's bond coverage.

In order to comply with these changes made in HEA 1514 effective July 1, 2009, governments should have purchased riders on their current bond coverage for the remainder of the calendar year 2009; and beginning January 1, 2010, they should have provided annual bond coverage if they were not already doing so.

The official annual bond coverage required under Indiana Code 5-4-1-18 for Town Clerk-Treasurers is \$30,000 for every \$1,000,000 in receipts.

Indiana Code 5-4-1-18 stated in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee.

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

County auditors shall file bonds that provide annual coverage of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of annual coverage of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

FUND SOURCES AND USES (Applies to Town)

State tax receipts were sometimes incorrectly recorded in the General and Cumulative Capital Improvement Funds, rather than the proper Motor Vehicle Highway and Local Road and Street Funds.

The tax receipts incorrectly recorded have been corrected as of October 13, 2011.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER (Applies to Water Utility)

As stated in prior reports, 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)

LOANS BETWEEN FUNDS (Applies to Water and Wastewater Utilities)

The Water Utility owed the Wastewater Utility \$49,910 for temporary loans at December 31, 2010.

The outstanding loan balance has been paid as of October 13, 2011.

Indiana Code 36-1-8-4 concerning temporary loans, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

TOWN OF CLAY CITY
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2011, with Denetta L. Hane, Clerk-Treasurer, and Guy J. Dickerson, President of the Town Council. The officials concurred with our examination findings.