

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF CLINTON
VERMILLION COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
09/10/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10
Notes to Financial Statement	11-16
Supplementary Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-23
Schedule of Payables and Receivables	24
Schedule of Leases and Debt	25
Schedule of Capital Assets	26
Audit Result and Comment:	
Internal Controls Over Financial Transactions and Reporting	27
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	30-31
Schedule of Expenditures of Federal Awards	34
Note to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-38
Auditee Prepared Schedule:	
Corrective Action Plan	39
Exit Conference	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kara Vorek	01-01-12 to 12-31-15
Mayor	Jack Gilfoy, Jr.	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Jack Gilfoy, Jr.	01-01-12 to 12-31-15
President of the Common Council	Dean Strohm	01-01-12 to 12-31-13
Superintendent of Utilities	Cindy Yates	01-01-12 to 12-31-13
Utility Office Manager	(Vacant) Rita Northcutt	01-01-12 to 12-31-12 01-01-13 to 12-31-13



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF CLINTON, VERMILLION COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Clinton (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 13, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

INDEPENDENT AUDITOR'S REPORT
(Continued)

used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

August 13, 2013



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF CLINTON, VERMILLION COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the City of Clinton (City), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated August 13, 2013, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

City of Clinton's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 13, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF CLINTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ 352,808	\$ 876,608	\$ 992,375	\$ 237,041
Motor Vehicle Highway	245,468	184,519	188,264	241,723
Local Road & Street	96,973	16,304	46,224	67,053
Local Law Enf Cont Ed	1,406	3,101	2,277	2,230
Court Deferral Program	30	77,664	77,664	30
Unsafe Building	2,814	900	385	3,329
Riverboat	44,277	28,986	39,837	33,426
Park & Recreation	92,753	55,056	20,914	126,895
Rainy Day	7,955	1	-	7,956
Levy Excess Fund	2,049	-	-	2,049
Cum Cap Development	31,674	4,492	-	36,166
Redevelopment	904,258	207,530	859,801	251,987
Police Equipment	1,489	45,170	37,957	8,702
Cumulative Fire	33,135	-	2,081	31,054
Cum Cap Imp - Cig Tax	35,607	13,715	22,831	26,491
Police Pension	107,515	51,486	57,694	101,307
Fire Pension	49,188	36,487	36,461	49,214
City Court	11,220	407,391	409,207	9,404
General Obligation Bond 2012	-	333,200	333,200	-
Cemetery	61,343	86,447	53,220	94,570
July 4Th	4,378	6,260	7,392	3,246
Cemetery Non Expendable	62,802	-	12,798	50,004
Grant Fund	387,275	697,078	742,350	342,003
Walnut Grove Chapel Fun	7,182	2,702	-	9,884
Senior Citizens	311	-	277	34
City Deferral	770	330	-	1,100
Court Lece	8,469	47,608	47,949	8,128
Operation Pull-Over	(709)	1,280	892	(321)
Police Reserve Fund	1,460	-	-	1,460
Little Italy Grand Prix	1,003	-	-	1,003
Golf	8,133	75,032	77,978	5,187
Prosecutor Deferral	930	-	-	930
Debt Service	7,733	48,245	35,362	20,616
Paving Bond	133,637	36,286	169,923	-
Equipment Escrow	-	570,051	107,407	462,644
Feather Creek	20,721	-	15,796	4,925
Payroll	128,196	1,358,164	1,274,512	211,848
Sewage Utility Operating	805,490	1,158,227	1,079,844	883,873
Sewage Utl Bond & Int	137,263	214,967	212,557	139,673
Sewage Utl Improvement	24,542	-	-	24,542
Sewage Debt Service	216,287	-	-	216,287
Sewage Utl Equipment	805	-	-	805
Water Utility Operating	412,085	731,305	701,266	442,124
Water Utl Bond & Intere	38,133	160,372	22,773	175,732
Utl Cap Improvement	57,745	-	-	57,745
Water Utl Meter Deposit	95,260	21,072	22,085	94,247
Water Utl Debt Service	128,564	-	-	128,564
Totals	\$ 4,770,427	\$ 7,558,036	\$ 7,711,553	\$ 4,616,910

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

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor 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 statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts include 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 City.

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.

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,

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Penalties which include fees received for late payments.

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 statement. The aggregate disbursements include 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 City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

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

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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 City 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 City. 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 City. 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 City 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 City 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 City 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.

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENT
(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 City 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 City 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 City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENT
(Continued)

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficit

The financial statement contains one fund with a deficit in cash. This is a result of the fund being set up for a reimbursable grant. The reimbursement for expenditures made by the City was not received by December 31, 2012.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF CLINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General Fund	Motor Vehicle Highway	Local Road & Street	Local Law Enf Cont Ed	Court Deferral Program	Unsafe Building	Riverboat	Park & Recreation
Cash and investments - beginning	\$ 352,808	\$ 245,468	\$ 96,973	\$ 1,406	\$ 30	\$ 2,814	\$ 44,277	\$ 92,753
Receipts:								
Taxes	506,220	70,727	-	-	-	-	-	41,557
Licenses and permits	12,504	-	-	1,820	-	900	-	-
Intergovernmental	100,117	113,745	16,304	-	-	-	28,986	7,249
Charges for services	7,753	-	-	-	-	-	-	-
Fines and forfeits	76,774	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	173,240	47	-	1,281	77,664	-	-	6,250
Total receipts	<u>876,608</u>	<u>184,519</u>	<u>16,304</u>	<u>3,101</u>	<u>77,664</u>	<u>900</u>	<u>28,986</u>	<u>55,056</u>
Disbursements:								
Personal services	686,851	82,030	-	-	-	-	-	22
Supplies	31,164	27,889	46,224	-	-	-	-	1,760
Other services and charges	75,293	78,345	-	2,277	77,664	385	-	15,485
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	875	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	198,192	-	-	-	-	-	39,837	3,647
Total disbursements	<u>992,375</u>	<u>188,264</u>	<u>46,224</u>	<u>2,277</u>	<u>77,664</u>	<u>385</u>	<u>39,837</u>	<u>20,914</u>
Excess (deficiency) of receipts over disbursements	<u>(115,767)</u>	<u>(3,745)</u>	<u>(29,920)</u>	<u>824</u>	<u>-</u>	<u>515</u>	<u>(10,851)</u>	<u>34,142</u>
Cash and investments - ending	<u>\$ 237,041</u>	<u>\$ 241,723</u>	<u>\$ 67,053</u>	<u>\$ 2,230</u>	<u>\$ 30</u>	<u>\$ 3,329</u>	<u>\$ 33,426</u>	<u>\$ 126,895</u>

CITY OF CLINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Rainy Day	Levy Excess Fund	Cum Cap Development	Redevelopment	Police Equipment	Cumulative Fire	Cum Cap Imp - Cig Tax	Police Pension
Cash and investments - beginning	\$ 7,955	\$ 2,049	\$ 31,674	\$ 904,258	\$ 1,489	\$ 33,135	\$ 35,607	\$ 107,515
Receipts:								
Taxes	-	-	3,825	207,157	-	-	-	51,486
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	667	-	-	-	13,715	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	1	-	-	373	45,170	-	-	-
Total receipts	1	-	4,492	207,530	45,170	-	13,715	51,486
Disbursements:								
Personal services	-	-	-	-	-	-	-	57,694
Supplies	-	-	-	528	-	-	10,765	-
Other services and charges	-	-	-	800,047	-	69	-	-
Debt service - principal and interest	-	-	-	59,226	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	37,957	2,012	12,066	-
Total disbursements	-	-	-	859,801	37,957	2,081	22,831	57,694
Excess (deficiency) of receipts over disbursements	1	-	4,492	(652,271)	7,213	(2,081)	(9,116)	(6,208)
Cash and investments - ending	\$ 7,956	\$ 2,049	\$ 36,166	\$ 251,987	\$ 8,702	\$ 31,054	\$ 26,491	\$ 101,307

CITY OF CLINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Fire Pension	City Court	General Obligation Bond 2012	Cemetery	July 4Th	Cemetery Non Expendable	Grant Fund	Walnut Grove Chapel Fun
Cash and investments - beginning	\$ 49,188	\$ 11,220	\$ -	\$ 61,343	\$ 4,378	\$ 62,802	\$ 387,275	\$ 7,182
Receipts:								
Taxes	36,487	-	-	45,724	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	7,975	-	-	-	-
Charges for services	-	-	-	23,739	-	-	-	-
Fines and forfeits	-	407,391	-	-	-	-	-	2,522
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	333,200	9,009	6,260	-	697,078	180
Total receipts	<u>36,487</u>	<u>407,391</u>	<u>333,200</u>	<u>86,447</u>	<u>6,260</u>	<u>-</u>	<u>697,078</u>	<u>2,702</u>
Disbursements:								
Personal services	36,461	-	-	-	-	-	-	-
Supplies	-	-	-	5,878	-	-	-	-
Other services and charges	-	-	333,168	47,342	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	409,207	32	-	7,392	12,798	742,350	-
Total disbursements	<u>36,461</u>	<u>409,207</u>	<u>333,200</u>	<u>53,220</u>	<u>7,392</u>	<u>12,798</u>	<u>742,350</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>26</u>	<u>(1,816)</u>	<u>-</u>	<u>33,227</u>	<u>(1,132)</u>	<u>(12,798)</u>	<u>(45,272)</u>	<u>2,702</u>
Cash and investments - ending	<u>\$ 49,214</u>	<u>\$ 9,404</u>	<u>\$ -</u>	<u>\$ 94,570</u>	<u>\$ 3,246</u>	<u>\$ 50,004</u>	<u>\$ 342,003</u>	<u>\$ 9,884</u>

CITY OF CLINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Senior Citizens	City Deferral	Court Lece	Operation Pull-Over	Police Reserve Fund	Little Italy Grand Prix	Golf	Prosecutor Deferral
Cash and investments - beginning	\$ 311	\$ 770	\$ 8,469	\$ (709)	\$ 1,460	\$ 1,003	\$ 8,133	\$ 930
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	38,921	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	330	8,687	1,280	-	-	75,032	-
Total receipts	-	330	47,608	1,280	-	-	75,032	-
Disbursements:								
Personal services	-	-	-	-	-	-	47,206	-
Supplies	-	-	-	-	-	-	24,512	-
Other services and charges	-	-	47,949	-	-	-	1,485	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	277	-	-	892	-	-	4,775	-
Total disbursements	277	-	47,949	892	-	-	77,978	-
Excess (deficiency) of receipts over disbursements	(277)	330	(341)	388	-	-	(2,946)	-
Cash and investments - ending	\$ 34	\$ 1,100	\$ 8,128	\$ (321)	\$ 1,460	\$ 1,003	\$ 5,187	\$ 930

CITY OF CLINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Debt Service	Paving Bond	Equipment Escow	Feather Creek	Payroll	Sewage Utility Operating	Sewage Utl Bond & Int	Sewage Utl Improvement
Cash and investments - beginning	\$ 7,733	\$ 133,637	\$ -	\$ 20,721	\$ 128,196	\$ 805,490	\$ 137,263	\$ 24,542
Receipts:								
Taxes	5,708	36,286	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	995	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	835,599	-	-
Penalties	-	-	-	-	-	20,709	-	-
Other receipts	41,542	-	570,051	-	1,358,164	301,919	214,967	-
Total receipts	48,245	36,286	570,051	-	1,358,164	1,158,227	214,967	-
Disbursements:								
Personal services	-	-	-	-	1,083,841	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	44,109	15,796	190,671	-	-	-
Debt service - principal and interest	35,362	169,923	-	-	-	-	-	-
Capital outlay	-	-	63,298	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	357,258	-	-
Other disbursements	-	-	-	-	-	722,586	212,557	-
Total disbursements	35,362	169,923	107,407	15,796	1,274,512	1,079,844	212,557	-
Excess (deficiency) of receipts over disbursements	12,883	(133,637)	462,644	(15,796)	83,652	78,383	2,410	-
Cash and investments - ending	\$ 20,616	\$ -	\$ 462,644	\$ 4,925	\$ 211,848	\$ 883,873	\$ 139,673	\$ 24,542

CITY OF CLINTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Sewage Debt Service	Sewage Utl Equipment	Water Utility Operating	Water Utl Bond & Intere	Utl Cap Improvement	Water Utl Meter Deposit	Water Utl Debt Service	Totals
Cash and investments - beginning	\$ 216,287	\$ 805	\$ 412,085	\$ 38,133	\$ 57,745	\$ 95,260	\$ 128,564	\$ 4,770,427
Receipts:								
Taxes	-	-	33,862	-	-	-	-	1,039,039
Licenses and permits	-	-	-	-	-	-	-	15,224
Intergovernmental	-	-	-	-	-	-	-	289,753
Charges for services	-	-	-	-	-	-	-	31,492
Fines and forfeits	-	-	-	-	-	-	-	525,608
Utility fees	-	-	555,704	-	-	21,072	-	1,412,375
Penalties	-	-	12,696	-	-	-	-	33,405
Other receipts	-	-	129,043	160,372	-	-	-	4,211,140
Total receipts	-	-	731,305	160,372	-	21,072	-	7,558,036
Disbursements:								
Personal services	-	-	-	-	-	-	-	1,994,105
Supplies	-	-	-	-	-	-	-	148,720
Other services and charges	-	-	-	-	-	-	-	1,730,085
Debt service - principal and interest	-	-	-	-	-	-	-	264,511
Capital outlay	-	-	-	-	-	-	-	64,173
Utility operating expenses	-	-	279,685	-	-	-	-	636,943
Other disbursements	-	-	421,581	22,773	-	22,085	-	2,873,016
Total disbursements	-	-	701,266	22,773	-	22,085	-	7,711,553
Excess (deficiency) of receipts over disbursements	-	-	30,039	137,599	-	(1,013)	-	(153,517)
Cash and investments - ending	\$ 216,287	\$ 805	\$ 442,124	\$ 175,732	\$ 57,745	\$ 94,247	\$ 128,564	\$ 4,616,910

CITY OF CLINTON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 5,813	\$ -
Wastewater	360	102,674
Water	4,985	67,326
Totals	\$ 11,158	\$ 170,000

CITY OF CLINTON
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	General Obligation Bond series 2012	\$ 340,000	\$ 32,581
Notes and loans payable	Lease Rental Revenue Bonds (misc equipment)	570,000	39,663
Notes and loans payable	Water Bond 2004	1,226,654	127,724
Notes and loans payable	Sewer Bond 2000	<u>1,414,855</u>	<u>215,025</u>
Total governmental activities		<u>3,551,509</u>	<u>414,993</u>
Totals		<u>\$ 3,551,509</u>	<u>\$ 414,993</u>

CITY OF CLINTON
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 200,000
Buildings	2,022,764
Machinery, equipment, and vehicles	1,183,186
Total governmental activities	3,405,950
Wastewater:	
Infrastructure	3,432,809
Buildings	166,214
Machinery, equipment, and vehicles	379,667
Total Wastewater	3,978,690
Water:	
Infrastructure	636,000
Buildings	310,856
Improvements other than buildings	968,890
Machinery, equipment, and vehicles	213,107
Total Water	2,128,853
Total capital assets	\$ 9,513,493

CITY OF CLINTON
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Preparing the Schedule of Expenditures of Federal Awards: The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.
3. During the audit of the SEFA, we noted the following errors: local matching funds were sometimes included on the Schedule, the Schedule did not include every federal grant with expenditures, and the pass-through entity's identifying number was not always correct. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF CLINTON, VERMILLION COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the City of Clinton's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2012. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the type of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 13, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were prepared by management of the City. The schedule and note are presented as intended by the City.

CITY OF CLINTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2012

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Direct Grant		
Community Facilities Loans and Grants Cluster		
Community Facilities Loans and Grants	10.766	
15-083-230755470		\$ 28,900
 <u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Pass-Through Indiana Office of Community and Rural Affairs		
CDBG - State Administered CDBG Cluster		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	
Storm water/CSO Long-Term Control Plan Planning Grant PL-10-013		16,000
Feather Creek Project #DR1B-09-019		380,000
Total for program		396,000
 <u>U.S. DEPARTMENT OF JUSTICE</u>		
Pass-Through Indiana Criminal Justice Institute		
JAG Program Cluster		
Edward Byrne Memorial Justice Assistance Grant	16.738	
2009-DJ-BX-0049		5,000
Direct Grant		
ARRA - Public Safety Partnership and Community Policing Grants	16.710	
2009-RK-WX-0354		34,515
Total for federal grantor agency		39,515
 <u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Pass-Through Indiana Department of Transportation		
Highway Planning and Construction Cluster		
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	
EDS No. A249-10-321096/Clinton Depot Restoration		36,000
Pass-Through Indiana Criminal Justice Institute		
Highway Safety Cluster		
State and Community Highway Safety	20.600	
OP-12-04-02-38		892
Total for federal grantor agency		36,892
Total federal awards expended		\$ 501,307

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF CLINTON
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Clinton and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF CLINTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

_____ Name of Federal Program or Cluster
CDBG – State Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the City to reduce risks to the achievement of financial reporting objectives. The City has not separated incompatible activities related to cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

CITY OF CLINTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. Preparing the Schedule of Expenditures of Federal Awards: The City did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: local matching funds were sometimes included on the Schedule, the Schedule did not include every federal grant with expenditures, and the pass-through entity's identifying number was not always correct. Audit adjustments were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section. 300 states in part: "The auditee shall . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section. 310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

CITY OF CLINTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub-recipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

No matters reportable.



Office of the Clerk-Treasurer
City of Clinton

August 13, 2013

CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

FINDING 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

In order to improve the segregation of duties, thereby strengthening internal controls, effective with the next 2013 bank reconciliation, we will begin having someone other than the Clerk-Treasurer certify that the monthly bank reconciliations have been reviewed, approved, and in agreement with the General Ledger.

In order to strengthen the internal controls over the preparation of the financial statements, specifically the Schedule of Federal Expenditures, we agree to obtain a better understanding of what information is to be reported on the Schedule of Federal Expenditures, including CFDA numbers, official grant titles, and grant award amounts, to ensure accuracy and completeness.



Jack Gilfoy, Mayor

8-13-13

Date



Kara Vorek, Clerk-Treasurer

8-13-13

Date

CITY OF CLINTON
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2013, with Jack Gilfoy, Jr., Mayor; Kara Vorek, Clerk-Treasurer; Marissa Stoffel, Deputy Clerk-Treasurer; Dean Strohm, President of the Common Council; and Scott Craig, Attorney. The officials concurred with our audit finding.