

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, 2011 to December 31, 2012



FILED
10/09/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Denetta L. Hane Melinda Sue Booe	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Guy J. Dickerson	01-01-11 to 12-31-13
Superintendent of Utilities	Richard Nelson (Vacant)	01-01-11 to 06-06-13 06-07-13 to Present



STATE OF INDIANA
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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CLAY CITY, CLAY COUNTY, INDIANA

We have examined the accompanying financial statement of the Town of Clay City (Town), for the period of January 1, 2011 to December 31, 2012. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 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 comprehensive 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 these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules 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 examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

September 19, 2013

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FINANCIAL STATEMENT

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

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TOWN OF CLAY CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 394,944	\$ 258,240	\$ 251,080	\$ 402,104	\$ 247,682	\$ 210,302	\$ 439,484
Motor Vehicle Highway	199,559	30,065	10,376	219,248	22,355	1,222	240,381
Local Road And Street Node 1	47,650	5,534	345	52,839	16,194	43,695	25,338
Law Enforcement Continuing Ed Deferral Program	6,112	746	3,926	2,932	4,952	863	7,021
Riverboat	6,611	1,650	4,557	3,704	550	-	4,254
Junk	12,754	6,377	-	19,131	5,101	-	24,232
Cumulative Capital Improvement Build Indiana	-	-	-	-	132	-	132
Indiana Police Grant	81,422	2,986	2,404	82,004	59	-	82,063
Loit-Public Safety	15,755	-	-	15,755	-	10,500	5,255
Street Light (Usa) Project	102	-	-	102	-	-	102
Payroll	27,953	26,008	27,823	26,138	27,395	-	53,533
Wastewater Utility-Operating	16,461	16	2,491	13,986	13	831	13,168
Wastewater Util-Bond And Interest	1,079	237,209	233,071	5,217	218,418	213,794	9,841
Wastewater Utility-Deprec/Improve	29,458	415,898	361,932	83,424	367,309	334,867	115,866
Wastewater Utility-Construction	30,903	26,974	49,428	8,449	22,854	1,552	29,751
Wastewater Utility-Debt Reserve	6,668	6,668	6,668	6,668	-	-	6,668
Water Utility-Operating	50,855	-	50,855	-	-	-	-
Water Utility-Bond And Interest	148,916	26,554	-	175,470	-	1,417	174,053
Water Utility-Customer Deposit	39,365	316,136	315,931	39,570	298,194	285,987	51,777
Water Utility-Debt Reserve	65,630	75,937	141,521	46	91,283	8,642	82,687
Totals	39,105	4,480	8,256	35,329	4,075	945	38,459
	<u>90,460</u>	<u>-</u>	<u>-</u>	<u>90,460</u>	<u>-</u>	<u>450</u>	<u>90,010</u>
Totals	<u>\$ 1,311,762</u>	<u>\$ 1,441,478</u>	<u>\$ 1,470,664</u>	<u>\$ 1,282,576</u>	<u>\$ 1,326,680</u>	<u>\$ 1,115,067</u>	<u>\$ 1,494,189</u>

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

TOWN OF CLAY CITY
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash, investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 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 STATEMENT
(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.

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.

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

TOWN OF CLAY CITY
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 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 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 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town'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 Reports of the Town which is 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 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, 2011

	General	Motor Vehicle Highway	Local Road And Street	Node 1	Law Enforcement Continuing Ed	Deferral Program	Riverboat	Junk
Cash and investments - beginning	\$ 394,944	\$ 199,559	\$ 47,650	\$ -	\$ 6,112	\$ 6,611	\$ 12,754	\$ -
Receipts:								
Taxes	147,830	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	150	-	-	-
Intergovernmental	92,022	30,065	5,534	-	-	-	6,377	-
Charges for services	-	-	-	-	121	-	-	-
Fines and forfeits	-	-	-	-	-	1,650	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	18,388	-	-	-	475	-	-	-
Total receipts	<u>258,240</u>	<u>30,065</u>	<u>5,534</u>	<u>-</u>	<u>746</u>	<u>1,650</u>	<u>6,377</u>	<u>-</u>
Disbursements:								
Personal services	114,098	-	-	-	-	450	-	-
Supplies	33,630	10,250	345	-	3,926	-	-	-
Other services and charges	90,259	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	4,107	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	13,093	126	-	-	-	-	-	-
Total disbursements	<u>251,080</u>	<u>10,376</u>	<u>345</u>	<u>-</u>	<u>3,926</u>	<u>4,557</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>7,160</u>	<u>19,689</u>	<u>5,189</u>	<u>-</u>	<u>(3,180)</u>	<u>(2,907)</u>	<u>6,377</u>	<u>-</u>
Cash and investments - ending	<u>\$ 402,104</u>	<u>\$ 219,248</u>	<u>\$ 52,839</u>	<u>\$ -</u>	<u>\$ 2,932</u>	<u>\$ 3,704</u>	<u>\$ 19,131</u>	<u>\$ -</u>

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cumulative Capital Improvement	Build Indiana	Indiana Police Grant	Loit-Public Safety	Street Light (Usa) Project	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest
Cash and investments - beginning	\$ 81,422	\$ 15,755	\$ 102	\$ 27,953	\$ 16,461	\$ 1,079	\$ 29,458	\$ 30,903
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	2,986	-	-	26,008	-	1,374	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	289,701	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	16	235,835	126,197	26,974
Total receipts	<u>2,986</u>	<u>-</u>	<u>-</u>	<u>26,008</u>	<u>16</u>	<u>237,209</u>	<u>415,898</u>	<u>26,974</u>
Disbursements:								
Personal services	-	-	-	-	2,491	168,061	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	27,823	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	171,311	-
Other disbursements	2,404	-	-	-	-	65,010	190,621	49,428
Total disbursements	<u>2,404</u>	<u>-</u>	<u>-</u>	<u>27,823</u>	<u>2,491</u>	<u>233,071</u>	<u>361,932</u>	<u>49,428</u>
Excess (deficiency) of receipts over disbursements	<u>582</u>	<u>-</u>	<u>-</u>	<u>(1,815)</u>	<u>(2,475)</u>	<u>4,138</u>	<u>53,966</u>	<u>(22,454)</u>
Cash and investments - ending	<u>\$ 82,004</u>	<u>\$ 15,755</u>	<u>\$ 102</u>	<u>\$ 26,138</u>	<u>\$ 13,986</u>	<u>\$ 5,217</u>	<u>\$ 83,424</u>	<u>\$ 8,449</u>

TOWN OF CLAY CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Utility-Deprec/Improve	Wastewater Utility-Construction	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 6,668	\$ 50,855	\$ 148,916	\$ 39,365	\$ 65,630	\$ 39,105	\$ 90,460	\$ 1,311,762
Receipts:								
Taxes	-	-	-	-	-	-	-	147,830
Licenses and permits	-	-	-	-	-	-	-	150
Intergovernmental	-	-	-	-	-	-	-	164,366
Charges for services	-	-	-	-	-	-	-	121
Fines and forfeits	-	-	-	-	-	-	-	1,650
Utility fees	-	-	-	291,357	-	4,480	-	585,538
Penalties	-	-	-	618	-	-	-	618
Other receipts	6,668	-	26,554	24,161	75,937	-	-	541,205
Total receipts	<u>6,668</u>	<u>-</u>	<u>26,554</u>	<u>316,136</u>	<u>75,937</u>	<u>4,480</u>	<u>-</u>	<u>1,441,478</u>
Disbursements:								
Personal services	-	-	-	-	-	-	-	285,100
Supplies	-	-	-	-	-	-	-	48,151
Other services and charges	-	-	-	-	-	-	-	90,259
Capital outlay	-	-	-	-	-	-	-	31,930
Utility operating expenses	-	-	-	248,036	-	3,116	-	422,463
Other disbursements	6,668	50,855	-	67,895	141,521	5,140	-	592,761
Total disbursements	<u>6,668</u>	<u>50,855</u>	<u>-</u>	<u>315,931</u>	<u>141,521</u>	<u>8,256</u>	<u>-</u>	<u>1,470,664</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(50,855)</u>	<u>26,554</u>	<u>205</u>	<u>(65,584)</u>	<u>(3,776)</u>	<u>-</u>	<u>(29,186)</u>
Cash and investments - ending	<u>\$ 6,668</u>	<u>\$ -</u>	<u>\$ 175,470</u>	<u>\$ 39,570</u>	<u>\$ 46</u>	<u>\$ 35,329</u>	<u>\$ 90,460</u>	<u>\$ 1,282,576</u>

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

	General	Motor Vehicle Highway	Local Road And Street	Node 1	Law Enforcement Continuing Ed	Deferral Program	Riverboat	Junk
Cash and investments - beginning	\$ 402,104	\$ 219,248	\$ 52,839	\$ -	\$ 2,932	\$ 3,704	\$ 19,131	\$ -
Receipts:								
Taxes	136,970	-	-	-	-	-	-	-
Licenses and permits	1,360	-	-	-	420	-	-	-
Intergovernmental	100,085	22,355	5,944	-	-	-	5,101	-
Charges for services	2,040	-	-	-	-	-	-	-
Fines and forfeits	8	-	-	-	4,532	550	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	7,219	-	10,250	114	-	-	-	132
Total receipts	<u>247,682</u>	<u>22,355</u>	<u>16,194</u>	<u>114</u>	<u>4,952</u>	<u>550</u>	<u>5,101</u>	<u>132</u>
Disbursements:								
Personal services	115,533	-	-	-	-	-	-	-
Supplies	14,531	1,222	-	-	863	-	-	-
Other services and charges	55,953	-	43,695	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	24,285	-	-	-	-	-	-	-
Total disbursements	<u>210,302</u>	<u>1,222</u>	<u>43,695</u>	<u>-</u>	<u>863</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>37,380</u>	<u>21,133</u>	<u>(27,501)</u>	<u>114</u>	<u>4,089</u>	<u>550</u>	<u>5,101</u>	<u>132</u>
Cash and investments - ending	<u>\$ 439,484</u>	<u>\$ 240,381</u>	<u>\$ 25,338</u>	<u>\$ 114</u>	<u>\$ 7,021</u>	<u>\$ 4,254</u>	<u>\$ 24,232</u>	<u>\$ 132</u>

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

	Cumulative Capital Improvement	Build Indiana	Indiana Police Grant	Loit-Public Safety	Street Light (Usa) Project	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest
Cash and investments - beginning	\$ 82,004	\$ 15,755	\$ 102	\$ 26,138	\$ 13,986	\$ 5,217	\$ 83,424	\$ 8,449
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	27,395	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	360,757	-
Other receipts	59	-	-	-	13	218,418	6,552	22,854
Total receipts	59	-	-	27,395	13	218,418	367,309	22,854
Disbursements:								
Personal services	-	-	-	-	831	160,212	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	10,500	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	49,927	-
Utility operating expenses	-	-	-	-	-	-	115,613	-
Other disbursements	-	-	-	-	-	53,582	169,327	1,552
Total disbursements	-	10,500	-	-	831	213,794	334,867	1,552
Excess (deficiency) of receipts over disbursements	59	(10,500)	-	27,395	(818)	4,624	32,442	21,302
Cash and investments - ending	\$ 82,063	\$ 5,255	\$ 102	\$ 53,533	\$ 13,168	\$ 9,841	\$ 115,866	\$ 29,751

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

	Wastewater Utility-Deprec/Improve	Wastewater Utility-Construction	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 6,668	\$ -	\$ 175,470	\$ 39,570	\$ 46	\$ 35,329	\$ 90,460	\$ 1,282,576
Receipts:								
Taxes	-	-	-	-	-	-	-	136,970
Licenses and permits	-	-	-	-	-	-	-	1,780
Intergovernmental	-	-	-	-	-	-	-	160,880
Charges for services	-	-	-	-	-	-	-	2,040
Fines and forfeits	-	-	-	-	-	-	-	5,090
Utility fees	-	-	-	251,860	-	4,075	-	616,692
Other receipts	-	-	-	46,334	91,283	-	-	403,228
	-	-	-	-	-	-	-	-
Total receipts	-	-	-	298,194	91,283	4,075	-	1,326,680
Disbursements:								
Personal services	-	-	-	-	-	-	-	276,576
Supplies	-	-	-	-	-	-	-	16,616
Other services and charges	-	-	-	-	-	-	-	110,148
Capital outlay	-	-	-	44,330	-	-	-	94,257
Utility operating expenses	-	-	-	126,842	-	-	-	242,455
Other disbursements	-	-	1,417	114,815	8,642	945	450	375,015
	-	-	-	-	-	-	-	-
Total disbursements	-	-	1,417	285,987	8,642	945	450	1,115,067
Excess (deficiency) of receipts over disbursements	-	-	(1,417)	12,207	82,641	3,130	(450)	211,613
Cash and investments - ending	\$ 6,668	\$ -	\$ 174,053	\$ 51,777	\$ 82,687	\$ 38,459	\$ 90,010	\$ 1,494,189

TOWN OF CLAY CITY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 3,673	\$ -
Wastewater	1,256	46,425
Water	1,240	8,776
Totals	\$ 6,169	\$ 55,201

TOWN OF CLAY CITY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
Revenue bonds	Sewage Works Bonds of 1998 payable to Bank of New York	\$ 92,016	\$ 17,886
Notes and loans payable	Rural Development for New Sewage Plant	<u>2,871,000</u>	<u>59,214</u>
Total Wastewater		<u>2,963,016</u>	<u>77,100</u>
Water:			
Revenue bonds	Water Works Bonds of 2000 payable to Bank of New York	<u>537,000</u>	<u>7,543</u>
Totals		<u>\$ 3,500,016</u>	<u>\$ 84,643</u>

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TOWN OF CLAY CITY
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	\$ 2,500
Buildings	22,549
Improvements other than buildings	2,149
Machinery, equipment, and vehicles	130,224
Total governmental activities	157,422
Wastewater:	
Land	10,461
Buildings	497,552
Improvements other than buildings	3,445,081
Machinery, equipment, and vehicles	61,866
Total Wastewater	4,014,960
Water:	
Land	10,000
Buildings	41,250
Improvements other than buildings	1,440,420
Machinery, equipment, and vehicles	19,869
Total Water	1,511,539
Total capital assets	\$ 5,683,921

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

Delinquent wastewater fees and penalties had not been 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."

UTILITY RECEIPTS TAX (Applies to Water Utility)

The Clay City Water Utility did not pay the Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

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

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FIRE PROTECTION CONTRACTS (Applies to Town)

Payments totaling \$12,000 per year were made to the Clay City-Harrison Township Volunteer Fire Department for fire protection in 2011 and 2012. Contracts for 2011 and 2012 fire protection services were not presented for examination.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND (Applies to Town)

The amount of the Town Clerk-Treasurer's surety bond was insufficient per the Indiana code for the years 2011 and 2012.

Indiana Code 5-4-1-18 states 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:

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) The amount 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 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 for the officer or employee. County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount 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).
- (d) Except as provided in subsection (j), a controller of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file an individual surety bond in an amount:
- (1) fixed by the board of directors of the solid waste management district; and
 - (2) that is at least thirty thousand dollars (\$30,000).
- (e) Except as provided under subsection (d), a person who is required to file an individual surety bond by the board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file a bond in an amount fixed by the board of directors."

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to Water Utility)

In 2012, the Clay City Water Utility paid penalties and interest to the Indiana Department of Revenue in the amount of \$110.52 because sales tax payments were not remitted on a timely basis.

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

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS (Applies to Town, Water and Wastewater Utilities)

We noted several deficiencies in the internal control system of the Town related to the bank reconciliation process that were considered to constitute a material weakness. The Clerk-Treasurer is responsible for reconciling the bank accounts to the Town's records each month. She also has the responsibility to write checks and post transactions to the ledger. There is no approval or oversight of the bank reconciliation once it is completed. The lack of oversight and approval of the bank reconciliation could allow misstatements to be undetected.

TOWN OF CLAY CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

We recommend the Town establish controls over bank reconciliations.

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

TOWN OF CLAY CITY
EXIT CONFERENCE

The contents of this report were discussed on September 19, 2013, with Melinda Sue Booe, Clerk-Treasurer. The official concurred with our findings.