



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B45839

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February 15, 2016

TO: THE OFFICIALS OF THE TOWN OF CLAYTON, HENDRICKS COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Town of Clayton, (Town), for the period of January 1, 2013 to December 31, 2014 to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The Town's financial statement for the period of January 1, 2013 to December 31, 2014 is attached to this letter. Our procedures were designed solely to satisfy the requirements of Indiana Code 5-11-1. Because our procedures were not designed to opine on the Town's financial statement, we did not follow *generally accepted auditing standards*. Accordingly, we do not express an opinion on any financial statement of the Town.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

For years 2011 and later, the Annual Financial Reports filed by the Town can be found on the Gateway website: <https://gateway.ifionline.org/>.

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

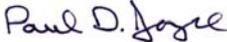
**Current Period Comments**

- *Payments were made to credit card companies without supporting invoices or documentation in 2013 and 2014. Claims tested without supporting documentation totaled \$527 for gasoline and \$426 for office and miscellaneous supplies. Due to the lack of supporting documentation, we could not verify the purpose of the disbursement.*
- *The Town has an ordinance concerning credit card usage in the performance of Town business. However, we noted that the Town did not comply with its existing ordinance because:*
  1. *There were no statements explaining the absence of supporting invoices or confirmation that the expenses were legitimately incurred in the conduct of municipal business.*
  2. *Credit cards are not being returned to the Town within the allotted ten (10) days stated in the policy.*

- *Records indicate the Certified Reports of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R or its equivalent) for 2014 was not submitted until February 12, 2015.*
- *Records presented indicated flowers were paid for from the General Fund during 2014.*
- *The Clerk-Treasurer's Surety Bond was insufficient per the Indiana Code. The amount of the bond was \$18,000 for 2013 and 2014 instead of the required \$30,000.*
- *Records indicated that the approved rental fees for the use of park facilities were not always charged. The Town does not charge churches, Town officials, or Boy and Girl Scouts. Approved fee Ordinance 2013-8 does not exempt anyone or group.*

This letter is intended for the information and use of the governing body and management of the Town. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

The contents of this letter were discussed on July 16, 2015, with Virginia A McKamey, Clerk-Treasurer, and John W. Cully, member of the Town Council. Any Official Response to the Current Period Comments incorporated within this letter was not verified for accuracy.

  
Paul D. Joyce, CPA  
State Examiner

TOWN OF CLAYTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
GENERAL FUND	\$ 189,753	\$ 179,884	\$ 169,606	\$ 200,031	\$ 189,817	\$ 218,536	\$ 171,312
MOTOR VEHICLE HIGHWAY	56,004	75,006	45,190	85,820	79,910	43,632	122,098
LOCAL ROAD & STREET	19,429	9,472	12,091	16,810	9,684	3,000	23,494
LOCAL LAW ENF CONT ED	480	1,178	1,357	301	302	144	459
RAINY DAY FUND	16,567	-	15,000	1,567	-	-	1,567
ECONOMIC DEV INCOME TAX	118,052	19,743	91,274	46,521	21,703	7,480	60,744
CUM CAP IMP - CIG TAX	14,342	2,609	1,102	15,849	2,571	1,125	17,295
RIVERBOAT WAGERING	27,724	5,758	-	33,482	5,758	-	39,240
PAYROLL	-	140,868	140,868	-	134,461	134,461	-
SEWAGE UTILITY OPERATING	21,957	342,042	349,728	14,271	247,649	252,417	9,503
SEWAGE UTL DEPRECIATION	24,389	16,356	13,504	27,241	16,941	29,145	15,037
SEWAGE DSR - BONY	61,436	1	3	61,434	3	-	61,437
SEWAGE DEBT SERVICE	4,044	40,016	40,724	3,336	40,013	29,109	14,240
Totals	<u>\$ 554,177</u>	<u>\$ 832,933</u>	<u>\$ 880,447</u>	<u>\$ 506,663</u>	<u>\$ 748,812</u>	<u>\$ 719,049</u>	<u>\$ 536,426</u>

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

TOWN OF CLAYTON  
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 and 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 CLAYTON  
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.

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 Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF CLAYTON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF CLAYTON  
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.