

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

ANNUAL FINANCIAL REPORT

2005

CITY OF CLINTON

VERMILLION COUNTY, INDIANA



FILED
12/18/2006

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosemary Moore	01-01-04 to 12-31-07
Mayor	Ron Shepard	01-01-04 to 12-31-07
President of the Board of Public Works	Ron Shepard	01-01-04 to 12-31-07
President of the Common Council	Philip Kruger Martin J. Russell	01-01-05 to 12-31-05 01-01-06 to 12-31-06
Superintendent of Utilities	Robert Alexander	01-01-05 to 12-31-06
Utility Office Manager	Linda Whiteman	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Clinton (City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2005, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated November 2, 2006, 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 and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedule of Funding Progress and Schedules of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents and the Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 2, 2006



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

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

We have audited the financial statements of the City of Clinton (City), as of and for the year ended December 31, 2005, and have issued our report thereon dated November 2, 2006. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the City on November 2, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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

STATE BOARD OF ACCOUNTS

November 2, 2006

CITY OF CLINTON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

<u>Functions/Programs</u>	Program Receipts		Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Primary Government		
			Governmental Activities	Business-Type Activities	Total
Primary government:					
Governmental activities:					
General government	\$ 293,740	\$ 107,981	\$ (185,759)	\$ -	\$ (185,759)
Public safety	578,039	71,946	(506,093)	-	(506,093)
Highways and streets	289,028	204,409	(84,619)	-	(84,619)
Health and welfare	87,320	39,785	(47,535)	-	(47,535)
Culture and recreation	81,361	66,682	(14,679)	-	(14,679)
Urban redevelopment and housing	4,729	-	(4,729)	-	(4,729)
Interest on long-term debt	18,782	-	(18,782)	-	(18,782)
Total governmental activities	1,352,999	490,803	(862,196)	-	(862,196)
Business-type activities:					
Water	653,281	639,224	-	(14,057)	(14,057)
Wastewater	881,484	700,716	-	(180,768)	(180,768)
Total business-type activities	1,534,765	1,339,940	-	(194,825)	(194,825)
Total primary government	\$ 2,887,764	\$ 1,830,743	(862,196)	(194,825)	(1,057,021)
General receipts:					
Property taxes			786,666	-	786,666
Other local sources			34,677	-	34,677
Unrestricted investment earnings			3,000	4,477	7,477
Other			42,944	221,311	264,255
Total general receipts			867,287	225,788	1,093,075
Change in net assets			5,091	30,963	36,054
Net assets - beginning			236,252	614,039	850,291
Net assets - ending			\$ 241,343	\$ 645,002	\$ 886,345
<u>Assets</u>					
Cash and investments			\$ 53,600	\$ 110,523	\$ 164,123
Restricted assets:					
Cash and investments			187,743	534,479	722,222
Total assets			\$ 241,343	\$ 645,002	\$ 886,345
<u>Net Assets</u>					
Restricted for:					
Public safety			\$ 11,395	\$ -	\$ 11,395
Highways and streets			(22,461)	-	(22,461)
Culture and recreation			78,922	-	78,922
Debt service			51,632	380,506	432,138
Other purposes			68,255	153,973	222,228
Unrestricted			53,600	110,523	164,123
Total net assets			\$ 241,343	\$ 645,002	\$ 886,345

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

CITY OF CLINTON
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2005

	General	Motor Vehicle Highway	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 591,757	\$ -	\$ 179,063	\$ 770,820
Licenses and permits	2,343	-	1,917	4,260
Intergovernmental	34,677	163,252	143,800	341,729
Charges for services	20,477	-	94,851	115,328
Fines and forfeits	56,854	-	17,230	74,084
Other	-	7,588	33,020	40,608
Total receipts	706,108	170,840	469,881	1,346,829
Disbursements:				
General government	293,240	-	87,820	381,060
Public safety	565,174	-	12,865	578,039
Highways and streets	-	228,034	2,429	230,463
Culture and recreation	-	-	81,361	81,361
Urban redevelopment and housing	-	-	4,729	4,729
Debt service:				
Principal	-	-	62,003	62,003
Interest	-	-	15,344	15,344
Total disbursements	858,414	228,034	266,551	1,352,999
Excess (deficiency) of receipts over disbursements	(152,306)	(57,194)	203,330	(6,170)
Other financing sources				
Other receipts	11,261	-	-	11,261
Total other financing sources	11,261	-	-	11,261
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(141,045)	(57,194)	203,330	5,091
Cash and investment fund balance - beginning	104,061	3,002	129,189	236,252
Cash and investment fund balance - ending	<u>\$ (36,984)</u>	<u>\$ (54,192)</u>	<u>\$ 332,519</u>	<u>\$ 241,343</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ (36,984)	\$ -	\$ 90,584	\$ 53,600
Restricted assets:				
Cash and investments	-	(54,192)	241,935	187,743
Total cash and investment assets - December 31	<u>\$ (36,984)</u>	<u>\$ (54,192)</u>	<u>\$ 332,519</u>	<u>\$ 241,343</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Public safety	\$ -	\$ -	\$ 11,395	\$ 11,395
Highways and streets	-	(54,192)	31,731	(22,461)
Culture and recreation	-	-	78,922	78,922
Debt service	-	-	51,632	51,632
Other purposes	-	-	68,255	68,255
Unrestricted	(36,984)	-	90,584	53,600
Total cash and investment fund balance - December 31	<u>\$ (36,984)</u>	<u>\$ (54,192)</u>	<u>\$ 332,519</u>	<u>\$ 241,343</u>

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

CITY OF CLINTON
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Operating receipts:			
Metered water receipts:			
Residential	\$ 467,982	\$ 505,309	\$ 973,291
Commercial	139,205	179,712	318,917
Insurance proceeds	17,236	-	17,236
Other	<u>36,338</u>	<u>34,137</u>	<u>70,475</u>
 Total operating receipts	 <u>660,761</u>	 <u>719,158</u>	 <u>1,379,919</u>
 Operating disbursements:			
Salaries and wages	234,384	239,100	473,484
Employee pensions and benefits	62,729	61,562	124,291
Purchased power	34,709	69,765	104,474
Sludge removal	-	28,512	28,512
Chemicals	3,599	20,578	24,177
Material and supplies	31,025	11,070	42,095
Contractual services	12,798	32,982	45,780
Transportation disbursements	59,559	7,347	66,906
Insurance disbursements	29,449	29,449	58,898
Miscellaneous disbursements	<u>86,856</u>	<u>71,989</u>	<u>158,845</u>
 Total operating disbursements	 <u>555,108</u>	 <u>572,354</u>	 <u>1,127,462</u>
 Excess of operating receipts over operating disbursements	 <u>105,653</u>	 <u>146,804</u>	 <u>252,457</u>
 Nonoperating receipts (disbursements):			
Interest and investment receipts	2,929	1,548	4,477
Miscellaneous receipts	82,136	26,233	108,369
Debt service of principal	-	(140,863)	(140,863)
Interest and investment disbursement	(6,378)	(74,972)	(81,350)
Capital assets	-	(61,295)	(61,295)
Miscellaneous disbursements	(63,731)	(32,000)	(95,731)
Retainage receipts	72,963	-	72,963
Retainage disbursements	<u>(28,064)</u>	<u>-</u>	<u>(28,064)</u>
 Total nonoperating receipts (disbursements)	 <u>59,855</u>	 <u>(281,349)</u>	 <u>(221,494)</u>
 Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	 165,508	 (134,545)	 30,963
 Cash and investment fund balance - beginning	 <u>277,557</u>	 <u>336,482</u>	 <u>614,039</u>
 Cash and investment fund balance - ending	 <u>\$ 443,065</u>	 <u>\$ 201,937</u>	 <u>\$ 645,002</u>
 <u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 96,681	\$ 13,842	\$ 110,523
Restricted assets:			
Cash and investments	<u>346,384</u>	<u>188,095</u>	<u>534,479</u>
 Total cash and investment assets - December 31	 <u>\$ 443,065</u>	 <u>\$ 201,937</u>	 <u>\$ 645,002</u>
 <u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 196,924	\$ 183,582	\$ 380,506
Other purposes	149,460	4,513	153,973
Unrestricted	<u>96,681</u>	<u>13,842</u>	<u>110,523</u>
 Total cash and investment fund balance - December 31	 <u>\$ 443,065</u>	 <u>\$ 201,937</u>	 <u>\$ 645,002</u>

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

CITY OF CLINTON
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 153,658	\$ -	\$ -
Agency fund additions	<u>-</u>	<u>-</u>	<u>1,765,100</u>
Total additions	<u>153,658</u>	<u>-</u>	<u>1,765,100</u>
Deductions:			
Benefits	98,086	-	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>1,781,104</u>
Total deductions	<u>98,086</u>	<u>-</u>	<u>1,781,104</u>
Excess (deficiency) of total additions over total deductions	55,572	-	(16,004)
Cash and investment fund balance - beginning	<u>31,054</u>	<u>11,123</u>	<u>45,665</u>
Cash and investment fund balance - ending	<u><u>\$ 86,626</u></u>	<u><u>\$ 11,123</u></u>	<u><u>\$ 29,661</u></u>

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

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts for the resources which are utilized for the repair and maintenance of the City's streets and related infrastructure.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds which accumulate resources for pension benefit payments.

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Agency funds account for assets held by the City as an agent for state and federal agencies and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the utilities and the City. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

On or before August 31, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2005, disbursements exceeded budgeted appropriations in the following fund by the amount below:

Fund	2005
General	<u>\$ 82,248</u>

C. Cash and Investment Balance Deficits

At December 31, 2005, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and State statute:

Fund	2005
General Fund	\$ (36,984)
Motor Vehicle Highway	(54,192)
Cemetery	(5,900)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2005, bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

IV. Other Information

A. Risk Management

The City is 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, and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees, and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Subsequent Events

Main Street Resurface Project:

The City of Clinton, acting as a Local Public Agency, and the State of Indiana entered into an agreement with the Federal Highway Administration to resurface Main Street from the intersection of Walnut Street and SR 163 to Vine Street in Clinton, Indiana.

The bids were opened and tabulated by the Indiana Department of Transportation in Indianapolis, IN. The contract, in the amount of \$1,289,676.20, was awarded to White Construction, Inc. The City of Clinton made their required match contribution to the State of Indiana for \$128,967.62 on February 14, 2006.

Utilities Improvement Project:

The City of Clinton awarded Kanizer Excavating Co., a contract to install water and storm sewer infrastructure in the City's Downtown district. The contract was awarded on July 26, 2006, in the amount of \$465,638.28. The contract funding came from a Community Focus Fund Community Development Block Grant.

C. Rate Structure – Enterprise Funds

Water Utility

On August 21, 1995, the City Council adopted Ordinance 8-1995 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on July 12, 2004.

Wastewater Utility

The current rate structure was approved by the City Council on June 20, 2000.

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), 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 the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF 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 member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which 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.

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 9,915	\$ 135,000	\$ 82,300
Interest on net pension obligation	(524)	30,300	12,200
Adjustment to annual required contribution	<u>597</u>	<u>(52,900)</u>	<u>(21,400)</u>
Annual pension cost	9,988	112,400	73,100
Contributions made	<u>30,453</u>	<u>45,739</u>	<u>51,208</u>
Increase (decrease) in net pension obligation	(20,465)	66,661	21,892
Net pension obligation, beginning of year	<u>(7,229)</u>	<u>448,978</u>	<u>181,105</u>
Net pension obligation, end of year	<u>\$ (27,694)</u>	<u>\$ 515,639</u>	<u>\$ 202,997</u>
Contribution rates:			
City	5%	0%	317%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-04	01-01-04	01-01-04
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected Actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

* 2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 1,026	215%	\$ (5,790)
	06-30-04	2,645	154%	(7,229)
	06-30-05	9,988	1151%	(27,694)
1925 Police Officers' Pension Plan	12-31-02	107,000	44%	389,050
	12-31-03	110,400	46%	448,978
	12-31-04	112,400	41%	515,639
1937 Firefighters' Pension Plan	12-31-02	32,300	110%	167,250
	12-31-03	71,900	81%	181,105
	12-31-04	73,100	70%	202,997

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2005, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	7	2

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

CITY OF CLINTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2005, 2004, and 2003, were \$30,453, \$44,301, and \$47,182, respectively, equal to the required contributions for each year.

CITY OF CLINTON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 65,689	\$ 69,498	\$ (3,809)	95%	\$ 45,424	(8%)
07-01-04	66,673	112,400	(45,727)	59%	119,488	(38%)
07-01-05	80,693	106,555	(25,862)	76%	198,316	(13%)

CITY OF CLINTON
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan				
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
		City	State	
1925 Police Officers' Pension Plan	12-31-99	\$ 110,100	21%	0%
	12-31-00	111,700	61%	0%
	12-31-01	120,600	37%	0%
	12-31-02	120,400	39%	0%
	12-31-03	127,900	39%	0%
	12-31-04	135,000	34%	0%

1937 Firefighters' Pension Plan				
Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed		
		City	State	
1937 Firefighters' Pension Plan	12-31-99	\$ 38,100	0%	0%
	12-31-00	39,400	9%	0%
	12-31-01	41,800	32%	0%
	12-31-02	39,200	91%	0%
	12-31-03	79,400	73%	0%
	12-31-04	82,300	62%	0%

CITY OF CLINTON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005

	Local Road and Street	Parks and Recreation	Golf	Cemetery	Little Italy Grand Prix	Senior Citizens	CRT ECE
Receipts:							
Taxes	\$ -	\$ 83,716	\$ -	\$ 17,714	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	33,569	7,079	-	1,498	-	-	-
Charges for services	-	-	58,314	35,787	-	750	-
Fines and forfeits	-	-	-	-	-	-	12,528
Other	-	539	-	2,533	-	-	-
Total receipts	33,569	91,334	58,314	57,532	-	750	12,528
Disbursements:							
General government	-	-	-	87,320	-	-	-
Public safety	-	-	-	-	-	-	7,515
Highways and streets	2,429	-	-	-	-	-	-
Culture and recreation	-	15,628	65,187	-	-	546	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	2,429	15,628	65,187	87,320	-	546	7,515
Excess (deficiency) of receipts over disbursements	31,140	75,706	(6,873)	(29,788)	-	204	5,013
Cash and investment fund balance - beginning	591	(19,993)	28,736	23,888	3	296	1,254
Cash and investment fund balance - ending	<u>\$ 31,731</u>	<u>\$ 55,713</u>	<u>\$ 21,863</u>	<u>\$ (5,900)</u>	<u>\$ 3</u>	<u>\$ 500</u>	<u>\$ 6,267</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	31,731	55,713	21,863	(5,900)	3	500	6,267
Total cash and investment assets - December 31	\$ 31,731	\$ 55,713	\$ 21,863	\$ (5,900)	\$ 3	\$ 500	\$ 6,267
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	31,731	-	-	-	-	-	-
Culture and recreation	-	55,713	21,863	-	3	500	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	(5,900)	-	-	6,267
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 31,731	\$ 55,713	\$ 21,863	\$ (5,900)	\$ 3	\$ 500	\$ 6,267

CITY OF CLINTON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Riverboat	Lilly Endowment	Police Continuing Education	Police Equipment	Rainy Day	Golf Course Equipment	City Deferral
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	1,917	-	-	-	-
Intergovernmental	32,323	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	4,702
Other	-	200	-	2,302	25,938	843	-
Total receipts	32,323	200	1,917	2,302	25,938	843	4,702
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	2,875	2,475	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	-	-	2,875	2,475	-	-	-
Excess (deficiency) of receipts over disbursements	32,323	200	(958)	(173)	25,938	843	4,702
Cash and investment fund balance - beginning	32,323	2,735	3,177	1,712	-	-	-
Cash and investment fund balance - ending	<u>\$ 64,646</u>	<u>\$ 2,935</u>	<u>\$ 2,219</u>	<u>\$ 1,539</u>	<u>\$ 25,938</u>	<u>\$ 843</u>	<u>\$ 4,702</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 64,646	\$ -	\$ -	\$ -	\$ 25,938	\$ -	\$ -
Restricted assets:							
Cash and investments	-	2,935	2,219	1,539	-	843	4,702
Total cash and investment assets - December 31	\$ 64,646	\$ 2,935	\$ 2,219	\$ 1,539	\$ 25,938	\$ 843	\$ 4,702
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ 2,935	\$ 2,219	\$ 1,539	\$ -	\$ -	\$ 4,702
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	843	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	64,646	-	-	-	25,938	-	-
Total cash and investment fund balance - December 31	\$ 64,646	\$ 2,935	\$ 2,219	\$ 1,539	\$ 25,938	\$ 843	\$ 4,702

CITY OF CLINTON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2005
 (Continued)

	Cumulative Capital Improvement	Cumulative Capital Development	Feather Creek	Redevelopment	Debt Service	General Obligation Bond	Totals
Receipts:							
Taxes	\$ -	\$ 7,044	\$ -	\$ -	\$ 70,589	\$ -	\$ 179,063
Licenses and permits	-	-	-	-	-	-	1,917
Intergovernmental	15,846	-	-	-	-	53,485	143,800
Charges for services	-	-	-	-	-	-	94,851
Fines and forfeits	-	-	-	-	-	-	17,230
Other	-	-	621	44	-	-	33,020
Total receipts	15,846	7,044	621	44	70,589	53,485	469,881
Disbursements:							
General government	-	-	-	-	-	500	87,820
Public safety	-	-	-	-	-	-	12,865
Highways and streets	-	-	-	-	-	-	2,429
Culture and recreation	-	-	-	-	-	-	81,361
Urban redevelopment and housing	-	-	4,729	-	-	-	4,729
Debt service:							
Principal	-	-	-	-	62,003	-	62,003
Interest	-	-	-	-	6,504	8,840	15,344
Total disbursements	-	-	4,729	-	68,507	9,340	266,551
Excess (deficiency) of receipts over disbursements	15,846	7,044	(4,108)	44	2,082	44,145	203,330
Cash and investment fund balance - beginning	9,129	231	30,922	8,780	5,405	-	129,189
Cash and investment fund balance - ending	24,975	7,275	26,814	8,824	7,487	44,145	332,519
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,584
Restricted assets:							
Cash and investments	24,975	7,275	26,814	8,824	7,487	44,145	241,935
Total cash and investment assets - December 31	24,975	7,275	26,814	8,824	7,487	44,145	332,519
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,395
Highways and streets	-	-	-	-	-	-	31,731
Culture and recreation	-	-	-	-	-	-	78,922
Debt service	-	-	-	-	7,487	44,145	51,632
Other purposes	24,975	7,275	26,814	8,824	-	-	68,255
Unrestricted	-	-	-	-	-	-	90,584
Total cash and investment fund balance - December 31	24,975	7,275	26,814	8,824	7,487	44,145	332,519

CITY OF CLINTON
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2005

	<u>Police Pension</u>	<u>Fire Pension</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 120,186	\$ 33,472	\$ 153,658
Deductions:			
Benefits	<u>70,052</u>	<u>28,034</u>	<u>98,086</u>
Excess of total additions over total deductions	50,134	5,438	55,572
Cash and investment fund balance - beginning	<u>12,043</u>	<u>19,011</u>	<u>31,054</u>
Cash and investment fund balance - ending	<u>\$ 62,177</u>	<u>\$ 24,449</u>	<u>\$ 86,626</u>

CITY OF CLINTON
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2005

	<u>Cemetery Trust Expendable</u>	<u>Cemetery Trust Nonexpendable</u>	<u>Lease Escrow</u>	<u>Total</u>
Cash and investment fund balance - beginning	\$ 2,694	\$ 1,000	\$ 7,429	\$ 11,123
Cash and investment fund balance - ending	<u>\$ 2,694</u>	<u>\$ 1,000</u>	<u>\$ 7,429</u>	<u>\$ 11,123</u>

CITY OF CLINTON
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2005

	<u>City Court</u>	<u>Payroll</u>	<u>Deferral Program</u>	<u>County Court Costs</u>	<u>Total</u>
Additions:					
Agency fund additions	\$ 287,020	\$ 1,378,999	\$ 88,506	\$ 10,575	\$ 1,765,100
Deductions:					
Agency fund deductions	297,088	1,384,935	88,506	10,575	1,781,104
Deficiency of total additions over total deductions	(10,068)	(5,936)	-	-	(16,004)
Cash and investment fund balance - beginning	16,520	29,115	30	-	45,665
Cash and investment fund balance - ending	<u>\$ 6,452</u>	<u>\$ 23,179</u>	<u>\$ 30</u>	<u>\$ -</u>	<u>\$ 29,661</u>

CITY OF CLINTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2005

The City has entered into the following debt agreements:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Public safety equipment	\$ 65,644	\$ 30,559
Bonds payable:		
General obligation bonds:		
Street paving	339,000	24,000
Total governmental activities long-term debt	\$ 404,644	\$ 54,559
Business-type Activities:		
Water Utility		
Loans Payable:		
Water tower and line replacement	\$ 1,555,577	\$ -
Wastewater Utility		
Loans Payable:		
Treatment plant improvements	2,444,752	-
Total business-type activities long-term debt:	\$ 4,000,329	\$ -

CITY OF CLINTON
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The City has a capital asset register but the record is incomplete. Not all assets are recorded. Recorded assets did not all have dates of purchase or original costs and were not classified by types. Not all City capital asset additions and disposals are being recorded. No records are being maintained to account for construction in progress projects. An inventory of all capital assets owned has not been taken.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The following prescribed forms were not utilized:

Form 8 Detailed Schedule of Firemen Retired
Form 10 Detailed Schedule of Policemen Retired
Form 209 Ledger of Appropriations, Encumbrances,
Disbursements and Balances
Form 210 Accounts Payable Journal
Form 211 Capital Assets Ledger
Form 350 Investment Register

A similar comment was included in Reports B15146, B16840, B19785, B20954, B23360 and B26106.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPORTING DOCUMENTATION

Ten percent of disbursements examined were not supported by adequate documentation, such as receipts, invoices, and other public records.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and account of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The fiscal officer of a municipality may not draw a warrant or check for payment of a claim unless:

- (1) There is a fully itemized invoice or bill for the claim;
- (2) The invoice or bill is approved by the officer or person receiving the goods and services;
- (3) The invoice or bill is filed with the municipality's fiscal officer;

CITY OF CLINTON
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) The fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) Payment of the claim is allowed by the municipality's legislative body or the board having jurisdiction over allowance of payment of the claim.

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

DEPOSITS

Deposits were not always deposited no later than the next business day. Out of the items tested, 12 were deposited later than the next business day. A similar comment was included in prior Reports B09977, B09978, B13486, B13487, B15146, B16840, B19785, B20954, B23360 and B26106.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

OVERDRAWN FUND BALANCES

The General Fund, the Motor Vehicle Highway Fund, and the Cemetery Fund were overdrawn as of December 31, 2005.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2005	<u>\$ 82,248</u>

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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 AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Clinton (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 2005-1 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Capitalization Grants for State Revolving Loan Funds. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1, Equipment and Real Property Management.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2005-1, Equipment and Real Property Management to be a material weakness.

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

STATE BOARD OF ACCOUNTS

November 2, 2006

CITY OF CLINTON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Drinking Water State Revolving Funds	66.468		\$ 611,404
Pass-Through Indiana Department of Environmental Management Hazardous Waste Management State Program Support	66.801		<u>4,500</u>
Total for federal grantor agency			<u>615,904</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Assistance to Firefighters Grant	97.044		<u>27,177</u>
Total federal awards expended			<u><u>\$ 643,081</u></u>

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 (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF CLINTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted?	no
-------------------------------------------------------	----

Federal Awards:

Internal control over major program:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	no

Type of auditor's report issued on compliance for major program: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes
--------------------------------------------------------------------------------------------------------------------	-----

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as low-risk auditee?	no
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Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2005-1, EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for State Revolving Loan Funds
CFDA Number: 66.468
Federal Award Number: DW10118301

The City has a capital asset register but the record is incomplete. Not all assets are recorded. Recorded assets did not all have dates of purchase or original costs and were not classified by types. Not all City capital asset additions and disposals are being recorded. No records are being maintained to account for construction in progress projects. An inventory of all capital assets owned has not been taken.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The lack of capital asset records could result in misappropriation of capital assets.

City officials should maintain the prescribed capital asset records.

City of Clinton

Office of Clerk-Treasurer
259 Vine Street
Clinton, IN 47842-0004
Phone: (765) 832-9880

Rosemary Moore
City Clerk



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NO. 2003-2

Original SBA Audit Report Number B23360
Auditee Contact Person: Rosemary Moore
Title of Contact Person: City Clerk-Treasurer
Phone Number: 765-832-9880

Status of Finding
Corrective Action has been taken

The prior audit report disclosed a Section III Finding; Equipment and Real Property Management. The City prepared a Corrective Action Plan, however, the Clerk-Treasurer who drafted this plan and was responsible for the implementation of this plan did not follow up on the required action.

Forms were not ordered, inventory was not taken and a capital asset policy was not adopted. The previous Clerk-Treasurer was functioning as an appointed interim Clerk-Treasurer without adequate records in place. She apparently did not take time to implement the plan she wrote, As the newly elected official, I have adopted and intend to follow up on my own corrective action plan. I have prepared and submitted this plan to the Indiana State Board of Accounts.

Respectfully,

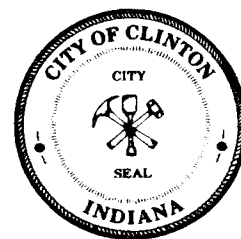
Rosemary Moore

Rosemary Moore
Elected Clerk-Treasurer
October 20, 2006

City of Clinton

Office of Clerk-Treasurer
259 Vine Street
Clinton, IN 47842-0004
Phone: (765) 832-9880

Rosemary Moore
City Clerk



Corrective Action Plan

FINDING NO 2005-1

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds
CFDA Number: 66.468
Federal Award Number: DW10118301
Auditee Contact Person: Rosemary Moore
Title of Contact Person: Clerk-Treasurer
Phone Number: 765-832-9880
Expected Completion Date: First Quarter of 2007 year

CITY OF CLINTON
Corrective Action Plan

I focussed on getting corrected Fund balances and worked on getting an approved City Budget for the year 2006. The City's Asset policy is an ongoing issue. My plan of correction is that the City of Clinton is seeking a new and better software vendor. City of Clinton is looking at getting Keystone software implemented into our computer system. With this service, a capital asset program will be added and used by the city. We hope to be up and running by the first quarter of 2007 year.

Rosemary Moore

Rosemary Moore
Elected Clerk-Treasurer
October 20, 2006

CITY OF CLINTON
EXIT CONFERENCE

The contents of this report were discussed on November 2, 2006, with Ron Shepard, Mayor; Rosemary Moore, Clerk-Treasurer; and Martin J. Russell, President of the Common Council. The officials concurred with our audit findings.