

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

EXAMINATION REPORT

OF

TOWN OF CLAYTON

HENDRICKS COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
12/08/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Virginia McKamey	01-01-07 to 12-31-09
President of the Town Council	Lance Mitchell	01-01-07 to 12-31-09



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Clayton (Town), for the period of January 1, 2007 to December 31, 2008. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 3, 2009

TOWN OF CLAYTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 65,415	\$ 188,058	\$ 217,410	\$ 36,063
Motor Vehicle Highway	65,670	48,586	47,950	66,306
Local Road and Street	39,078	19,001	21,420	36,659
Law Enforcement Continuing Education	4,226	130	-	4,356
Riverboat	4,608	-	-	4,608
Cumulative Capital Improvement	11,938	8,472	6,039	14,371
Rainy Day	-	7,548	-	7,548
County Economic Development Income Tax	43,749	20,002	16,869	46,882
Proprietary Funds:				
Wastewater Utility - Operating	28,034	265,590	253,439	40,185
Wastewater Utility - Bond and Interest	15,474	40,152	55,559	67
Wastewater Utility - Depreciation	7,385	16,206	23,000	591
Wastewater Utility - Other	-	35,853	12	35,841
Fiduciary Fund:				
Payroll	-	132,150	132,150	-
Totals	<u>\$ 285,577</u>	<u>\$ 781,748</u>	<u>\$ 773,848</u>	<u>\$ 293,477</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 36,063	\$ 196,804	\$ 218,847	\$ 14,020
Motor Vehicle Highway	66,306	29,960	33,440	62,826
Local Road and Street	36,659	9,053	12,821	32,891
Law Enforcement Continuing Education	4,356	570	743	4,183
Riverboat	4,608	4,347	-	8,955
Cumulative Capital Improvement	14,371	2,369	143	16,597
Rainy Day	7,548	9,019	-	16,567
County Economic Development Income Tax	46,882	23,368	55,780	14,470
Proprietary Funds:				
Wastewater Utility - Operating	40,185	232,719	250,790	22,114
Wastewater Utility - Bond and Interest	67	38,136	31,580	6,623
Wastewater Utility - Depreciation	591	18,097	17,000	1,688
Wastewater Utility - Other	35,841	25,989	-	61,830
Fiduciary Fund:				
Payroll	-	149,893	150,193	(300)
Totals	<u>\$ 293,477</u>	<u>\$ 740,324</u>	<u>\$ 771,337</u>	<u>\$ 262,464</u>

The accompanying notes are an integral part of the financial information.

TOWN OF CLAYTON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, wastewater treatment, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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 6. Reclassification

Certain balances were reported incorrectly in the prior report and are reflected in the current statements. A transfer was made at December 31, 2006, for \$4,360.91 from the General Fund to the Riverboat Fund to correct an incorrect receipt posting. This transfer was not reflected in the prior report, but has been properly reported in the beginning balance of this report.

TOWN OF CLAYTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Asset	Ending Balance	Due Within One Year
Governmental activities:		
Capital leases:		
Police car	\$ 3,937	\$ 3,937
Total governmental activities long-term debt	<u>\$ 3,937</u>	<u>\$ 3,937</u>
Business-type activities:		
Wastewater Utility:		
Notes and loans:		
SRF loan	\$ 440,000	\$ 40,000
Total business-type activities long-term debt:	<u>\$ 440,000</u>	<u>\$ 40,000</u>

TOWN OF CLAYTON
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCE

The Payroll Fund was overdrawn in 2008.

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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer.

IC 6-1.1-22-14(a) states in part:

"on or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

LAW ENFORCEMENT EXPENDITURE FROM MVH

Motor vehicle highway funds used for law enforcement purposes exceeded statutory limits. Amounts expended for law enforcement purposes represented 20% and 19% of amounts distributed in 2007 and 2008, respectively.

IC 8-14-1-5 allows cities and towns to use a portion of motor vehicle highway funds for law enforcement purposes, subject to the following limitations:

- "(1) For cities and towns with a population of 5,000 or more, no more than 10% of the amounts distributed may be spent for law enforcement purposes.
- (2) For cities and towns with a population of less than 5,000, no more than 15% of the amounts distributed may be spent for law enforcement purposes."

TOWN OF CLAYTON
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2009, with Virginia McKamey, Clerk-Treasurer; and Lance Mitchell, President of the Town Council.