

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF CLIFFORD

BARTHOLOMEW COUNTY, INDIANA

January 1, 2011 to December 31, 2016



FILED
01/31/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcia Mitchell Edward Stone (interim)	01-01-11 to 11-07-17 11-08-17 to 12-31-18
President of the Town Council	Danny James	01-01-11 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF CLIFFORD, BARTHOLOMEW COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Clifford (Town), for the period of January 1, 2011 to December 31, 2016. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

December 18, 2017

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

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TOWN OF CLIFFORD
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2011 and 2012

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-11	Receipts	Disbursements	12-31-11	Receipts	Disbursements	
General Fund	\$ 22,364	\$ 70,239	\$ 57,615	\$ 34,988	\$ 25,915	\$ 22,597	\$ 38,306
Motor Vehicle Highway	12,726	7,982	13,500	7,208	6,821	-	14,029
Local Road and Street	3,930	2,850	4,000	2,780	2,534	5,000	314
CEDIT	17,800	14,289	-	32,089	15,622	-	47,711
Riverboat	-	1,821	-	1,821	1,380	-	3,201
Rainy Day	393	-	-	393	-	-	393
Cumulative Capital Improvement	3,068	836	-	3,904	618	-	4,522
	<u>\$ 60,281</u>	<u>\$ 98,017</u>	<u>\$ 75,115</u>	<u>\$ 83,183</u>	<u>\$ 52,890</u>	<u>\$ 27,597</u>	<u>\$ 108,476</u>

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

TOWN OF CLIFFORD
 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	\$ 38,306	\$ 26,463	\$ 29,157	\$ 35,612	\$ 35,696	\$ 26,616	\$ 44,692
Motor Vehicle Highway	14,029	6,933	-	20,962	8,489	14,000	15,451
Local Road and Street	314	2,329	4,200	(1,557)	2,371	-	814
CEDIT	47,711	13,648	-	61,359	15,066	1,794	74,631
Riverboat	3,201	1,380	-	4,581	1,380	-	5,961
Rainy Day	393	-	-	393	-	-	393
Cumulative Capital Improvement	4,522	625	-	5,147	616	-	5,763
	<u>\$ 108,476</u>	<u>\$ 51,378</u>	<u>\$ 33,357</u>	<u>\$ 126,497</u>	<u>\$ 63,618</u>	<u>\$ 42,410</u>	<u>\$ 147,705</u>

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

TOWN OF CLIFFORD
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-15	Receipts	Disbursements	12-31-15	Receipts	Disbursements	12-31-16
General Fund	\$ 44,692	\$ 19,489	\$ 23,365	\$ 40,816	\$ 25,619	\$ 25,103	\$ 41,332
Motor Vehicle Highway	15,451	8,479	8,500	15,430	8,394	7,000	16,824
Local Road and Street	814	2,421	-	3,235	9,540	-	12,775
CEDIT	74,631	182,619	187,236	70,014	15,392	-	85,406
Riverboat	5,961	1,380	-	7,341	1,380	-	8,721
Rainy Day	393	-	-	393	-	-	393
Cumulative Capital Improvement	5,763	585	-	6,348	594	-	6,942
	<u>\$ 147,705</u>	<u>\$ 214,973</u>	<u>\$ 219,101</u>	<u>\$ 143,577</u>	<u>\$ 60,919</u>	<u>\$ 32,103</u>	<u>\$ 172,393</u>

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

TOWN OF CLIFFORD
NOTES TO FINANCIAL STATEMENTS

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 statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are 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 statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF CLIFFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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.

Other receipts. Amounts received from various sources, including, but 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 statements. The aggregate disbursements include the following uses:

Supplies. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts accounted for in a specific fund may only be

TOWN OF CLIFFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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.

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, the following: 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.

TOWN OF CLIFFORD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Cash Balance Deficits

The financial statements contained one fund with a deficit in cash as of December 31, 2013. This was a result of posting errors.

Note 7. Restatements

For the year ended December 31, 2011, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of December 31, 2010	Prior Period Adjustment	Balance as of January 1, 2011
General Fund	\$ 70,093	\$ (47,729)	\$ 22,364
Motor Vehicle Highway	-	12,726	12,726
Local Road and Street	-	3,930	3,930
CEDIT	-	17,800	17,800
Rainy Day	-	393	393
Cumulative Capital Improvement	-	3,068	3,068
Totals	<u>\$ 70,093</u>	<u>\$ (9,812)</u>	<u>\$ 60,281</u>

Note 8. Combined Funds

Funds for the Town, specifically Motor Vehicle Highway, Local Road and Street, CEDIT, Riverboat, Rainy Day, and Cumulative Capital Improvement, were combined into one fund, the General Fund, for the prior financial statement, but were reported individually in the current financial statements.

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CLERK-TREASURER
TOWN OF CLIFFORD

CLERK-TREASURER
TOWN OF CLIFFORD
REVIEW RESULTS AND COMMENTS

CONDITION OF RECORDS

Similar comments also appeared in prior Reports B35462 and B39779, entitled *CONDITION OF RECORDS*.

Financial records presented for review did not accurately present the receipts and disbursements for each fund. The records presented included numerous posting errors, mathematical errors in calculating cash balances, and duplicate distributions posted. Also, monthly and year to date totals were not recorded in the manual ledger.

Adjustments were proposed, accepted by the President of the Town Council, and made to the financial statements presented in the report.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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 1)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Reports B35462 and B39779, entitled *BANK ACCOUNT RECONCILIATIONS*.

Record balances were not reconciled to the depository balances during the six year review period. We performed cursory bank reconciliations at December 31 for each year. These cursory bank reconciliations exceeded the fund balances five of the six years. The differences during the review period ranged from a cash short of \$344 to cash long of \$5,702. We proposed adjustments, which were approved by the President of the Town Council, to the Town's financial records.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CLERK-TREASURER
TOWN OF CLIFFORD
REVIEW RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT/FORM 100-R

Similar comments also appeared in prior Report B39779, entitled *CERTIFIED REPORT NOT FILED* and *ANNUAL REPORT*.

The Annual Financial Report (AFR) for 2015 detailing the annual receipts, disbursements, and beginning and ending cash and investment balances was not filed with the State Examiner as required by statute.

The AFRs for 2011, 2012, 2013, 2014, and 2016 did not properly reflect the financial activity of the Town. The Town had seven funds; however, the AFR only reported the General Fund for the review period.

Audit adjustments were proposed, accepted by the President of the Town Council, and made to the financial statements presented for review.

Additionally, the Clerk-Treasurer failed to report federal assistance of \$29,160 and \$150,000 for the years 2011 and 2015, respectively, in the AFR section for federal grants.

The Town's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) for 2016 was not submitted timely. The Form 100-R must be filed during the month of January of the following year. The 2016 Form 100-R was filed on October 17, 2017, which was 259 days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

Indiana Code 5-11-13-1(a) states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

RECEIPT ISSUANCE

The same comment also appeared in prior Report B39779.

Receipts were not issued during the period April 6, 2011 to December 31, 2016.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF CLIFFORD
REVIEW RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS - TRAINING

There was no evidence presented that personnel received training on the internal control standards.

Indiana Code 5-11-1-27(h) states in part:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that: . . .

- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2). . . ."

INTERNAL CONTROLS - MINIMUM STANDARDS

The Clerk-Treasurer did not certify in writing that the Town had adopted the minimum internal control standards and procedures.

Indiana Code 5-11-1-27(h) states in part:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision . . ."

COUNCIL MINUTES

The Town Council minutes did not always include the following:

1. election of officers;
2. approval of prior minutes;
3. approval of accounts payable vouchers; and
4. transfers between funds.

Also, there was not any notation to indicate whether a Town Council meeting was canceled. Town Council minutes were not kept in a permanent record book or binder.

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.

CLERK-TREASURER
TOWN OF CLIFFORD
REVIEW RESULTS AND COMMENTS
(Continued)

- (3) The general substance of all matters proposed, discussed, or decided.
 - (4) A record of all votes take, by individual members if there is a roll call.
 - (5) Any additional information required under section 3.5 of 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.
- (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

CLERK-TREASURER
TOWN OF CLIFFORD
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2017, with Danny James, President of the Town Council, and Edward Stone, interim Clerk-Treasurer.

TOWN COUNCIL
TOWN OF CLIFFORD

TOWN COUNCIL
TOWN OF CLIFFORD
REVIEW RESULT AND COMMENT

INTERNAL CONTROLS - ADOPTION OF MINIMUM STANDARDS

There was no evidence that the Town Council, as the legislative body, had adopted the minimum internal control standards and procedures.

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision . . ."

TOWN COUNCIL
TOWN OF CLIFFORD
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2017, with Danny James, President of the Town Council, and Edward Stone, interim Clerk-Treasurer.