

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF CLAYPOOL

KOSCIUSKO COUNTY, INDIANA

January 1, 2015 to December 31, 2018



FILED
12/10/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Connie Morgan	10-19-12 to 12-31-15
	Elizabeth Brewer	01-01-16 to 02-29-16
	(Vacant)	03-01-16 to 03-28-16
	Patricia Warner	04-01-16 to 12-31-19
President of the Town Council	Niki L. Miller	01-01-15 to 12-31-19
Superintendent of Water Utility	Eugene Warner	01-01-15 to 02-19-19
	Danny Warner	02-20-19 to 12-31-19
Superintendent of Wastewater Utility	Danny Warner	01-01-15 to 12-31-19



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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 ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF CLAYPOOL, KOSCIUSKO COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Claypool (Town), for the period of January 1, 2015 to December 31, 2018. 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

November 13, 2019

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.

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

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
General	\$ 61,578	\$ 150,387	\$ 174,678	\$ 37,287	\$ 165,903	\$ 159,280	\$ 43,910
Motor Vehicle Highway	14,194	39,121	21,186	32,129	15,411	12,305	35,235
Local Road & Street	9,911	20,615	8,279	22,247	14,681	2,479	34,449
Rainy Day	2,647	-	-	2,647	-	-	2,647
TIF 1	23,967	11,898	14,626	21,239	14,192	18,350	17,081
CCIF	7,319	6,589	4,801	9,107	1,099	3,422	6,784
CEDIT	48,785	28,075	21,565	55,295	36,747	25,000	67,042
Cemetery	33,954	3,305	11,064	26,195	4,625	5,974	24,846
Continuing Education	485	270	-	755	525	-	1,280
TIF 2	(4,632)	24,949	6,298	14,019	14,228	13,000	15,247
Payroll	6,203	202,358	201,851	6,710	198,751	200,511	4,950
Sewage Utility Operating	20,287	139,529	116,962	42,854	92,364	128,746	6,472
Water Utility Operating	16,821	240,673	254,218	3,276	234,902	228,572	9,606
Water Utility Depreciation	174	-	-	174	-	174	-
Water Utility Meter Deposit	14,113	1,675	2,338	13,450	900	525	13,825
Totals	<u>\$ 255,806</u>	<u>\$ 869,444</u>	<u>\$ 837,866</u>	<u>\$ 287,384</u>	<u>\$ 794,328</u>	<u>\$ 798,338</u>	<u>\$ 283,374</u>

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

TOWN OF CLAYPOOL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
General	\$ 43,910	\$ 184,762	\$ 153,539	\$ 75,133	\$ 179,246	\$ 270,075	\$ (15,696)
Motor Vehicle Highway	35,235	35,224	31,390	39,069	28,959	22,402	45,626
Local Road & Street	34,449	16,381	3,006	47,824	18,438	10,044	56,218
Rainy Day	2,647	-	-	2,647	-	-	2,647
TIF 1	17,081	9	-	17,090	30,007	4,315	42,782
CCIF	6,784	1,048	2,825	5,007	1,008	2,797	3,218
CEDIT	67,042	37,739	-	104,781	41,327	-	146,108
Cemetery	24,846	7,205	11,273	20,778	10,945	12,242	19,481
Continuing Education	1,280	180	-	1,460	421	-	1,881
TIF 2	15,247	9	-	15,256	42,662	-	57,918
Payroll	4,950	205,398	206,654	3,694	211,320	212,018	2,996
Sewage Utility Operating	6,472	121,518	114,413	13,577	138,642	132,893	19,326
Water Utility Operating	9,606	252,357	250,958	11,005	263,451	274,012	444
Water Utility Meter Deposit	13,825	1,200	859	14,166	675	45	14,796
Totals	<u>\$ 283,374</u>	<u>\$ 863,030</u>	<u>\$ 774,917</u>	<u>\$ 371,487</u>	<u>\$ 967,101</u>	<u>\$ 940,843</u>	<u>\$ 397,745</u>

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

TOWN OF CLAYPOOL
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, trash, 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 nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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,

TOWN OF CLAYPOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees. Amounts received from charges for current services.

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:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. 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.

Utility operating expenses. Amounts disbursed for operating the utilities.

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.

TOWN OF CLAYPOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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.

TOWN OF CLAYPOOL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 Deficit

The financial statements contain one fund with a deficit in cash on December 31, 2018. The General fund had a deficit balance of \$15,696 at that date. The Town did not transfer their December 2016, June 2017, and December 2017 tax incremental financing from the General fund to TIF 1 and TIF 2 funds until 2018. In addition, the Town made accelerated hydrant rental payments in 2018 to reduce their hydrant rental deficit.

CLERK-TREASURER
TOWN OF CLAYPOOL
REVIEW RESULTS AND COMMENTS

CERTIFICATION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified, on the Indiana Gateway for Government Units (Gateway) financial reporting system, that the Town had adopted the minimum standards of internal control and that all required employees had received the internal control training for years 2017 and 2018.

Criteria

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](#)."

ANNUAL FINANCIAL REPORT

Condition and Context

The Town reported its financial activity into Gateway, which is the source of the Annual Financial Report (AFR) and financial statements. Records presented for audit did not reconcile with the AFR and financial statements. The Town's fund ledger did not present all transactions from the Town's appropriation history and revenue detail history reports during the review period.

In addition, the Town's 2015, 2016, and 2017 AFR were not filed electronically until March 28, 2016, March 24, 2017, and April 24, 2018; respectively, which was 28, 23, and 54 days past the due date.

Criteria

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](#)."

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B45901.

Condition and Context

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations were incomplete in reconciling the fund balances. As part of our review, we performed bank reconciliations for December 31, 2015, 2016, 2017, and 2018. The ledger balance exceeded the bank balance for each year as follows:

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

<u>Years</u>	<u>Amount</u>
2015	\$ 1,001
2016	10,161
2017	8,284
2018	18,784

Criteria

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."

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

OVERDRAWN CASH BALANCE

Condition and Context

The General fund was overdrawn at December 31, 2018, in the amount of \$15,696.

Criteria

The cash 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 unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FUND SOURCES AND USES

Condition and Context

The Sanitation Department financial activity was accounted for within the Water Utility Operating fund and not in a separate enterprise fund.

Criteria

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

APPROPRIATIONS

The same comment also appeared in prior Report B45901.

Condition and Context

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

Fund	Years	Excess Amount Expended
General	2017	\$ 20,172
Motor Vehicle Highway	2017	4,037
General	2018	46,018

Criteria

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."

CREDIT CARDS

The same comment also appeared in prior Report B45901.

Condition and Context

The Town adopted a resolution establishing credit card policies on February 21, 2011. Credit card payments made during the review period were examined. There were several instances where proper supporting documentation was not attached to the Accounts Payable Voucher (APV) that totaled \$2,103. In addition, credit card statements were not sufficiently reviewed as the Town paid for late fees, interest, and sales tax that totaled \$574.

Criteria

The Town's credit card policy states: "That the payment of credit card charges will be subject to the regular claim process and approval by the Town Council and will be paid only when itemized documents supporting the expenses are provided to the Clerk-Treasurer and attached to the claim."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing body must authorize credit card use through an ordinance /resolution, which has been approved in a meeting and documented in the minutes.

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

2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of the responsible officer or employee.
8. If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TRAVEL POLICY

Condition and Context

The Town adopted a resolution establishing travel policies on February 21, 2011. Disbursements for travel made during the review period were examined. According to the Town's travel policy: "The Town shall reimburse its employees for use of their personal automobiles when these automobiles are utilized for Town business in an amount equal to the standard mileage rate for such use at the maximum amount approved from time to time by the State of Indiana." The State of Indiana mileage rate was applied incorrectly for 2017 and 2018, resulting in overpayment of \$83.

The Town's travel policy also states: ". . . the payment of mileage expenses shall be made by the Clerk-Treasurer after approval of the Claim by the Town Council and when supported by an appropriate Mileage Claim Form (#101-1986 or any supplemental form approved hereafter)." While the Town used the appropriate Mileage Claim Form (Form 101), not all mileage claims had an attached Form 101 or were incomplete. Total unsupported or incomplete mileage claims amounted to \$523.

Furthermore, the Town's travel policy states: ". . . any and all employee claims for travel expenses shall be supported by appropriate receipts and/or valid proof of the incurrence of these expenses." In one instance, the Town reimbursed an employee an additional \$25 for lodging sales tax later removed from the bill.

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

Lastly, the Town's travel policy states: ". . . employees shall be reimbursed for meals in an amount not to exceed Fifty Dollars (\$50.00) per day, parking expenses in an amount not to exceed Thirty Dollars (\$30.00) per day, or on a case by case basis as approved by the Town Council." The Clerk-Treasurer attended the 2017 Indiana League of Municipal Clerks and Treasurers annual conference on June 13 and 14. There were 6 meals receipts attached to the Form 101 from June 12 through June 14. The 6 receipts paid for 2 meals each time for the same meal of the day. The Clerk-Treasurer was the only Town employee registered for attendance.

Criteria

Each unit must adopt a written travel policy in conformity with applicable laws. Reimbursement for lodging and meals must be based upon actual receipts for amounts paid unless otherwise authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

A similar comment also appeared in prior Report B45901, entitled *PAYROLL TAX LIABILITIES* and *UTILITY RECEIPTS TAX*.

Condition and Context

The Clerk-Treasurer did not file the Utility Receipts Tax return (URT-1) with the Indiana Department of Revenue for tax years 2015, 2016, 2017, and 2018.

Internal Revenue Service (IRS) Form W-2 Errors

1. Social Security and Medicare taxable wages were underreported by \$6,076 for tax year 2015. Deductions for Hoosier Start (a section 457 deferred compensation plan) were listed as a section 125 deduction in box 14 of the W-2 and not included in Social Security and Medicare taxable wages. Health insurance deduction were listed as a section 125 deduction in box 14 but included in taxable wages. As a result, Social Security taxes were under withheld by \$377 and Medicare taxes were under withheld by \$88.
2. Subsequent years' Social Security and Medicare taxable wages were reported correctly on the W-2s but Hoosier Start deductions were still listed as a section 125 deduction in box 14 and should be reported in box 12 as elective deferrals.

IRS 941 Returns and Federal Tax Payment Errors

1. The March 2015 federal tax payment was made timely but assigned to the second quarter instead of the first quarter, which resulted in underpayment of first quarter federal taxes and overpayment of second quarter federal taxes. Due to this payment error, 941 returns were filed incorrectly for the first and second quarter of 2015.
2. The 2015 fourth quarter federal taxes were overpaid by \$190; however, the Town received a refund in 2016.

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

3. The June 2016 federal tax payment was not made timely and was assigned to the third quarter instead of the second quarter, which resulted in underpayment of second quarter federal taxes and overpayment of third quarter federal taxes. The 2016 941 return filed for the second quarter showed the Town owed \$12,615. The Town reported tax payments of \$14,071 and requested a refund of \$1,456. If the Town had assigned the June federal tax payment correctly, the payments would have been correct and a refund not owed. There was no record of the refund received.
4. The Town reported a \$1,930 refund on its 2017 third quarter 941 return; however, the federal tax due was calculated incorrectly and the actual refund amount due was \$468.
5. The 2018 941 returns were not filed until September 23, 2019. The Town owes third and fourth quarter federal taxes of \$77 and \$390; respectively. Late payments and penalties are expected.

Indiana Department of Revenue (IDOR) Form WH-3 and State and County Tax Withholding Errors

The 2018 WH-3 (Annual Withholding Reconciliation Form) was not completed timely and contained errors. The WH-3 is due January 31, but for 2018, the Town did not file the form until October 6, 2019. The Town omitted County tax withheld on the WH-3 and as a result, a refund was incorrectly claimed of \$1,802. Actual County tax withheld by the Town for 2018 was \$1,917 and a balance of \$115 is owed to the IDOR.

Criteria

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PENALTIES, INTEREST, AND OTHER CHARGES

A similar comment also appeared in prior Report B45901.

Condition and Context

Federal tax payments to the Internal Revenue Service (IRS) are due the 15th day of the following month. The Town paid its federal tax payments late for 32 months out of the 48 months during the review period. The Town paid the following penalty amounts to the IRS by year because of untimely federal tax payments:

<u>Years</u>	<u>Amount</u>
2015	\$ 1,001
2016	423
2017	84

In addition, the Town paid \$321 and \$198 to Lake City bank in 2017 and 2018, respectively, for overdraft fees.

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

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ADVANCE PAYMENTS

Condition and Context

The Town advanced leave time to the Superintendent of Water Utility for medical reasons in 2016. The Superintendent of Water Utility repaid the Town back of leave time owed on March 17, 2017.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

PRESCRIBED FORMS

Condition and Context

The Town used a payroll system to account for all payroll activity. Paid Time Off logs from the payroll system tracked leave time accrued and used for employees; however, the logs could not be verified to employees' service records.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ORDINANCES AND RESOLUTIONS - UTILITY RATES

Condition and Context

The Town adopted rate ordinances to establish rates to be charged for water and wastewater service based on metered consumption and sanitation. The Town did not update its utility billing system for 2016, 2017, and 2018 to reflect increased yearly rates from the adopted rate ordinances.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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

HYDRANT RENTAL RECEIVABLE (PAYABLE)

Condition and Context

The Town adopted an ordinance that established an annual fire hydrant rental charge for each fire hydrant on April 15, 2013. The Town owed the Water Utility \$47,912 for hydrant rental at January 1, 2015. The Town incurred additional hydrant rental charges of \$19,883, \$20,281, \$20,686, and \$21,100 for the years 2015, 2016, 2017, and 2018, respectively, pursuant to the Town's ordinance. The Town made payments of \$29,368, \$12,640, \$36,427, and \$38,411, respectively, leaving an unpaid balance at December 31, 2018, of \$13,016.

Criteria

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CLERK-TREASURER
TOWN OF CLAYPOOL
EXIT CONFERENCE

The contents of this report were discussed on November 13, 2019, with Patricia Warner, Clerk-Treasurer; Niki L. Miller, President of the Town Council; and Eugene Warner, Town Council member.

TOWN COUNCIL
TOWN OF CLAYPOOL

TOWN COUNCIL
TOWN OF CLAYPOOL
REVIEW RESULTS AND COMMENTS

ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council did not adopt internal control standards and procedures during the review period. The Town Council did not ensure that all officers, elected officials, and employees received training concerning the internal control standards and procedures.

Criteria

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

"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; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

APPROPRIATIONS

The same comment also appeared in prior Report B45901.

Condition and Context

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

Fund	Years	Excess Amount Expended
General	2017	\$ 20,172
Motor Vehicle Highway	2017	4,037
General	2018	46,018

Criteria

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."

TOWN COUNCIL
TOWN OF CLAYPOOL
EXIT CONFERENCE

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