

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

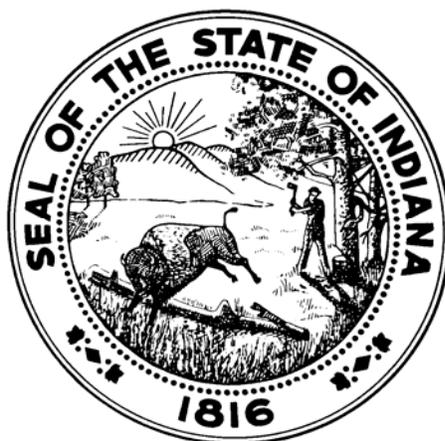
EXAMINATION REPORT

OF

TOWN OF KEMPTON

TIPTON COUNTY, INDIANA

January 1, 2003 to December 31, 2005



**FILED**

7/19/06



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wyndi Thompson Marjorie E. Morris	01-01-00 to 12-31-03 01-01-04 to 12-31-07
President of the Town Council	John Thompson Don Johnson Alice Book	01-01-03 to 12-31-03 01-01-04 to 12-31-04 01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF KEMPTON, TIPTON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Kempton (Town), for the period of January 1, 2003 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 5, 2006

TOWN OF KEMPTON  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2003, 2004, And 2005

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ (19,358)	\$ 103,754	\$ 86,733	\$ (2,337)
Motor Vehicle Highway	28,283	11,339	25,294	14,328
Local Road and Street	32,329	2,033	30,275	4,087
Economic Development Income Tax	22,568	-	11,942	10,626
Park and Recreation	814	-	-	814
Law Enforcement Continuing Education	550	93	70	573
Donation	931	250	-	1,181
Cumulative Capital Improvement	6,614	1,374	-	7,988
Cumulative Fire	-	812	-	812
Totals	<u>\$ 72,731</u>	<u>\$ 119,655</u>	<u>\$ 154,314</u>	<u>\$ 38,072</u>
	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ (2,337)	\$ 105,667	\$ 70,639	\$ 32,691
Motor Vehicle Highway	14,328	11,821	12,589	13,560
Local Road and Street	4,087	2,106	2,500	3,693
Economic Development Income Tax	10,626	15,733	162	26,197
Park and Recreation	814	-	492	322
Law Enforcement Continuing Education	573	237	-	810
Donation	1,181	-	-	1,181
Cumulative Capital Improvement	7,988	1,418	4,186	5,220
Cumulative Fire	812	2,109	-	2,921
Totals	<u>\$ 38,072</u>	<u>\$ 139,091</u>	<u>\$ 90,568</u>	<u>\$ 86,595</u>
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 32,691	\$ 94,530	\$ 87,852	\$ 39,369
Motor Vehicle Highway	13,560	14,608	12,968	15,200
Local Road and Street	3,693	2,085	206	5,572
Economic Development Income Tax	26,197	-	16,568	9,629
Park and Recreation	322	-	297	25
Law Enforcement Continuing Education	810	-	298	512
Donation	1,181	250	475	956
Riverboat Gaming	-	6,792	3,900	2,892
Cumulative Capital Improvement	5,220	4,175	4,045	5,350
Cumulative Fire	2,921	1,476	25	4,372
Tipton Co. Foundation Police Dept	-	2,500	1,300	1,200
Levy Excess	-	1,070	-	1,070
Totals	<u>\$ 86,595</u>	<u>\$ 127,487</u>	<u>\$ 127,934</u>	<u>\$ 86,148</u>

The accompanying notes are an integral part of the schedules.

TOWN OF KEMPTON  
NOTES TO SCHEDULES

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, 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.

TOWN OF KEMPTON  
EXAMINATION RESULTS AND COMMENTS

GUN PERMIT REMITTANCES

All gun permit receipts were deposited later than the next business day. In some instances there were fifty days between receipt issue date and date the deposit was made.

Receipts and fees collected by the Town Marshal should be remitted to the Clerk-Treasurer at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September, 2003)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) 24% of claims tested did not have supporting invoices to verify expenditure.
- (2) 4% of claims tested did not have evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6 states, in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity 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 governmental entity's fiscal officer;
- (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 governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CAPITAL ASSET RECORDS

The Town does not maintain capital asset records.

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 form. 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)

TOWN OF KEMPTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping were noted during our period of audit:

- (1) There were a considerable number of posting errors. These errors included deposits not receipted, duplicate check postings, checks posted incorrectly, balances carried forward inaccurately, activity not accounted for in various funds, and transfers between funds not posted accurately.
- (2) The beginning and ending balances per the records were not accurate due to above mentioned errors.
- (3) Depository reconciliations of the fund balances to the bank account balances were not presented for audit or were incorrect.

Indiana Code 5-13-6-1(e) states in part: "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 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 7)

PAYROLL DEDUCTIONS

Payments were made to the Internal Revenue Service that did not match the total amounts of payroll withholdings on the employee records and W-2s.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should 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 7)

It was recommended that the Clerk-Treasurer to contact the Internal Revenue Service for corrective action.

CERTIFIED REPORT NOT FILED

The town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2003, 2004, 2005.

Indiana Code 5-11-13-1 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 written or printed certified report, correctly and completely showing the names and 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."

TOWN OF KEMPTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ANNUAL REPORT NOT FILED

Annual reports for 2003, 2004, and 2005 were not presented for audit.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

TOWN OF KEMPTON  
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2006, with Marjorie E. Morris, Clerk-Treasurer, and Floyd Creasy, Town Council Board Member.