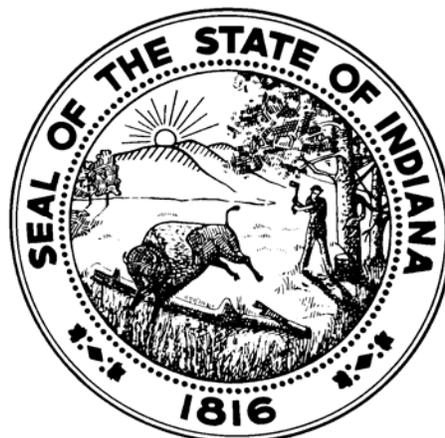


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF KINGMAN
FOUNTAIN COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
06/07/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Sheila A. Young

01-01-04 to 12-31-07

President of the Town Council

Jay Beeson

01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF KINGMAN, FOUNTAIN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Kingman (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Except as discussed in the following paragraph, 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.

The financial information presented for examination during the prior examination period was incomplete and not reflective of the activities of the Town and the Town Utilities and was therefore not presented in the 2004 report. This results in the beginning balances of the financial information presented this examination period being unaudited.

In our opinion, except for the effects of relying on beginning balances that have not been examined and presented in the prior report, the financial information presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 23, 2007

TOWN OF KINGMAN
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 61,185	\$ 88,293	\$ 100,740	\$ 48,738
Motor Vehicle Highway	26,939	19,673	43,991	2,621
Local Road and Street	2,098	2,395	4,093	400
Hydrant Rent Held	700	1,400	-	2,100
Law Enforcement Continuing Education	24	60	-	84
Riverboat	6,794	3,392	10,186	-
Rainy Day	3,129	-	3,129	-
Levy Excess	584	-	-	584
Police Special Equipment	27	-	27	-
Cumulative Capital Improvement	7,977	2,116	-	10,093
Cumulative Capital Development	21,137	4,278	-	25,415
Cumulative Building and Fire Fighting Equipment	23,405	2,851	13,000	13,256
Proprietary Funds:				
Water Utility - Operating	59,971	118,382	94,289	84,064
Water Utility - Bond and Interest	12,624	2,697	-	15,321
Water Utility - Depreciation	7,139	554	-	7,693
Water Utility - Customer Deposit	44,088	12,143	4,236	51,995
Water Utility - Reserve	11,289	86	-	11,375
Water Utility - Reserve Investment	11,305	231	11,536	-
Wastewater Utility - Operating	42,313	120,683	84,574	78,422
Wastewater Utility - Bond and Interest	13,636	5,107	-	18,743
Wastewater Utility - Depreciation	5,390	541	-	5,931
Wastewater Utility - Reserve Investment	25,936	-	-	25,936
Fiduciary Fund:				
Payroll	3,447	3,652	7,099	-
Totals	<u>\$ 391,137</u>	<u>\$ 388,534</u>	<u>\$ 376,900</u>	<u>\$ 402,771</u>
	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 48,738	\$ 67,338	\$ 110,197	\$ 5,879
Motor Vehicle Highway	2,621	22,946	-	25,567
Local Road and Street	400	2,340	1,356	1,384
Hydrant Rent Held	2,100	2,100	4,200	-
Law Enforcement Continuing Education	84	75	134	25
Riverboat	-	5,886	2,500	3,386
Levy Excess	584	-	-	584
Cumulative Capital Improvement	10,093	2,171	12,264	-
Cumulative Capital Development	25,415	2,157	-	27,572
Cumulative Building and Fire Fighting Equipment	13,256	1,438	2,586	12,108
Proprietary Funds:				
Water Utility - Operating	84,064	109,807	155,704	38,167
Water Utility - Bond and Interest	15,321	15,777	-	31,098
Water Utility - Depreciation	7,693	8,590	-	16,283
Water Utility - Customer Deposit	51,995	17,058	61,947	7,106
Water Utility - Reserve	11,375	86	-	11,461
Wastewater Utility - Operating	78,422	121,572	184,216	15,778
Wastewater Utility - Bond and Interest	18,743	30,248	24,529	24,462
Wastewater Utility - Depreciation	5,931	3,056	-	8,987
Wastewater Utility - Reserve Investment	25,936	-	-	25,936
Fiduciary Fund:				
Payroll	-	35,144	33,439	1,705
Totals	<u>\$ 402,771</u>	<u>\$ 447,789</u>	<u>\$ 593,072</u>	<u>\$ 257,488</u>

The accompanying notes are an integral part of the schedules.

TOWN OF KINGMAN
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, general administrative services, and water and wastewater.

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. Subsequent Event

The Water Utility has contracted for an improvement project. The cost for the project totals \$165,000 and the Indiana Department of Environmental Management has approved a grant of \$100,000 to help with these costs.

TOWN OF KINGMAN
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

General infrastructure assets completed since January 1, 2005 have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 50,000
Infrastructure	52,760
Buildings	75,000
Machinery and equipment police department	25,928
Machinery and equipment	<u>232,014</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u><u>435,702</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 4,200
Improvements other than buildings	386,500
Machinery and equipment	<u>31,161</u>
 Total Water Utility capital assets	 <u>421,861</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	2,325
Buildings	4,021
Improvements other than buildings	672,291
Machinery and equipment	<u>98,891</u>
 Total Wastewater Utility capital assets	 <u>777,528</u>
 Total business-type activities capital assets	 \$ <u><u>1,199,389</u></u>

TOWN OF KINGMAN
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds payable	\$ <u>91,027</u>	\$ <u>-</u>

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The annual report for 2005 was presented for examination, however the ledgers have been corrected since December 31, 2005, and the receipts, disbursements and balances presented on the report were not a true representation of the financial activity of the Town.

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 . . ."

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2005	\$ 23,404
Local road and street	2005	2,236
Motor vehicle highway	2005	16,204
General	2006	7,069

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."

CONDITION OF RECORDS

- (1) Record balances were not reconciled to depository balances for the Utilities in 2005.

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."

- (2) There were a considerable number of posting errors for the Utilities in 2005. There were instances where water and wastewater receipts were recorded in the wrong journals. The monthly ending balances were not properly transferred to become the next month's beginning balance.

The Water Reserve Fund was not recorded in the ledger in 2005 or 2006.

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)

- (3) Customer meter deposits were not properly posted in the Simplified Cash Journal for 2005. The names and check numbers for the disbursements were not recorded. Specific payments could not be traced to specific claims.

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

ERRORS ON CLAIMS

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

- (1) Some disbursements were not properly supported by a claim or by an invoice.
- (2) Some Water Utility expenses were improperly paid by the Town. One Water Utility expense was improperly paid by the Wastewater Utility.
- (3) The Town paid hydrant rent to the Water Utility, on one claim, but the check was deposited into the Town General Fund.
- (4) The Town pays a percentage of the fire department's expenses in exchange for fire protection. The billing for the period ending June 30, 2005, was improperly calculated and the Town is due a credit of \$1,489 from Millcreek Township.

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."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town did not comply with directives of the Internal Revenue Service. Wages on the W-2, Wage and Tax Statement, for 2005 were reported at net instead of at gross. Amended forms for 2005 were issued in 2006.

Payroll withholding taxes were not paid timely. All withholding taxes for 2005 were not paid until 2006.

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

As previously reported, officials or employees of the Town receive salaries, but a list of such employees is not certified to the County Treasurer.

Indiana Code 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."

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$3,752 were paid to the Internal Revenue Service for the period ending December 31, 2004. Penalties and interest totaling \$3,022 were paid to the Internal Revenue Service for the period ending December 31, 2005.

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 governmental 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 governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

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

PRESCRIBED FORMS

Utility Form 310 (Consumer Guarantee Deposit Receipt Book) was not numbered.

Prescribed Town Form 219 (Clerk-Treasurer's Warrant) was not used for Town disbursements.

Investments were not recorded on General Form 350 (Register of Investments).

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

UTILITY RECEIPTS TAX

As previously reported, the Water Utility has not paid Utility Receipts Tax to the Indiana Department of Revenue. Taxes have not been paid for 2004, 2005, or 2006.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF KINGMAN
EXIT CONFERENCE

The contents of this report were discussed on April 23, 2007, with Sheila A. Young, Clerk-Treasurer; and Melissa Griffin, Deputy Clerk-Treasurer.

The contents of this report were discussed on April 24, 2007, with Jay Beeson, President of the Town Council. The officials concurred with our findings.