

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

EXAMINATION REPORT

OF

TOWN OF KENNARD

HENRY COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
10/11/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Chanda R. Hastings	01-01-04 to 12-31-07
President of the Town Council	Mary B. Pribble	01-01-05 to 12-31-07
Superintendent of Wastewater Utility	James Turpin	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 KENNARD, HENRY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Kennard (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.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 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 required parts 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

August 23, 2007

TOWN OF KENNARD
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	\$ 21,319	\$ 57,452	\$ 57,442	\$ 21,329
Motor Vehicle Highway	26,511	13,819	27,022	13,308
Local Road and Street	8,872	6,980	4,171	11,681
Riverboat	5,746	6,770	3,901	8,615
Cumulative Capital Improvement	2,447	1,407	1,638	2,216
Proprietary Funds:				
Wastewater Utility - Operating	53,134	84,107	61,266	75,975
Wastewater Utility - Bond and Interest	35,800	11,100	11,950	34,950
Wastewater Utility - Depreciation	42,168	3,832	-	46,000
Wastewater Utility - Construction	74,378	877	5,205	70,050
Wastewater Utility - Improvement	2,400	4,400	3,600	3,200
Fiduciary Fund:				
Payroll	822	28,420	29,179	63
Totals	<u>\$ 273,597</u>	<u>\$ 219,164</u>	<u>\$ 205,374</u>	<u>\$ 287,387</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 21,329	\$ 59,879	\$ 53,397	\$ 27,811
Motor Vehicle Highway	13,308	20,920	13,110	21,118
Local Road and Street	11,681	7,357	1,313	17,725
Riverboat	8,615	2,863	-	11,478
Cumulative Capital Improvement	2,216	1,626	-	3,842
Proprietary Funds:				
Wastewater Utility - Operating	75,975	84,601	85,166	75,410
Wastewater Utility - Bond and Interest	34,950	21,000	10,650	45,300
Wastewater Utility - Depreciation	46,000	5,837	-	51,837
Wastewater Utility - Construction	70,050	1,484	10,017	61,517
Wastewater Utility - Improvement	3,200	7,632	7,965	2,867
Fiduciary Fund:				
Payroll	63	28,059	28,113	9
Totals	<u>\$ 287,387</u>	<u>\$ 241,258</u>	<u>\$ 209,731</u>	<u>\$ 318,914</u>

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

TOWN OF KENNARD
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, highways and streets, general administrative services, and wastewater utility.

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 Wastewater Utility obtained a new Bond Anticipation Note (BAN) in 2007 in the amount of \$180,000 at an interest rate of 4.79% to pay off the 2006 BAN.

In May of 2007, the USDA Rural Development approved the Town of Kennard's Request for Obligation of Funds for the construction of the sanitary sewer/wastewater treatment plant project. Loans and grants approved equaled \$1,900,000.

TOWN OF KENNARD
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 5,500
Infrastructure	40,155
Buildings	260,018
Improvements other than buildings	15,430
Machinery and equipment	<u>253,706</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 574,809</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 41,919
Construction in progress	74,900
Buildings	62,012
Improvements other than buildings	687,401
Machinery and equipment	<u>87,631</u>
 Total Wastewater Utility capital assets	 <u>953,863</u>
 Total business-type activities capital assets	 <u>\$ 953,863</u>

TOWN OF KENNARD
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 7,308	\$ 3,525
Total governmental activities long-term debt	\$ 7,308	\$ 3,525
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Establishment of Sewage Works	\$ 87,000	\$ 6,000
Total business-type activities long-term debt:	\$ 87,000	\$ 6,000

TOWN OF KENNARD
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2007, with Chanda R. Hastings, Clerk-Treasurer; and Mary B. Pribble, President of the Town Council. Our examination disclosed no material items that warrant comment at this time.