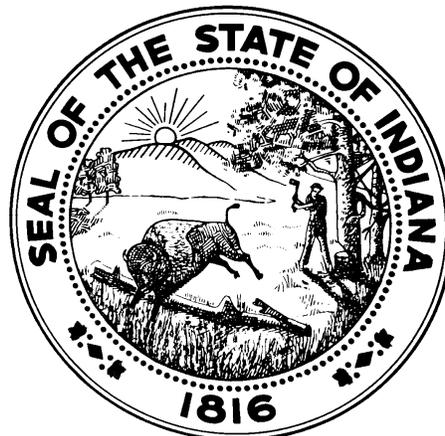


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF KEMPTON
TIPTON COUNTY, INDIANA
January 1, 2006 to December 31, 2008



FILED
03/20/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marjorie Morris Rebecca Sherrill	01-01-04 to 04-08-08 04-08-08 to 12-31-11
President of the Town Council	Alice Book William Huffer	01-01-06 to 12-31-08 01-01-09 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Kempton (Town), for the period of January 1, 2006 to December 31, 2008. 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 present fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006, 2007, and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

February 2, 2009

TOWN OF KEMPTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2006, 2007 And 2008

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 39,369	\$ 89,126	\$ 78,915	\$ 49,580
Motor Vehicle Highway	15,201	18,110	14,493	18,818
Local Road and Street	5,573	1,994	2,305	5,262
Economic Development Income Tax	9,629	14,649	11,118	13,160
Park and Recreation	24	-	-	24
Local Law Enforcement Continuing Education	512	190	477	225
Donation	956	250	-	1,206
Riverboat	2,892	2,391	-	5,283
Cumulative Capital Improvement	5,350	1,357	-	6,707
Cumulative Fire	4,372	1,662	-	6,034
Tipton Co. Foundation - Police Department	1,200	500	1,754	(54)
Levy Excess	1,070	-	1,070	-
Totals	\$ 86,148	\$ 130,229	\$ 110,132	\$ 106,245

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 49,580	\$ 91,704	\$ 88,581	\$ 52,703
Motor Vehicle Highway	18,818	18,636	15,011	22,443
Local Road and Street	5,262	1,962	124	7,100
Economic Development Income Tax	13,160	7,471	7,801	12,830
Park and Recreation	24	-	-	24
Local Law Enforcement Continuing Education	225	300	196	329
Donation	1,206	250	415	1,041
Riverboat	5,283	4,296	127	9,452
Cumulative Capital Improvement	6,707	1,335	-	8,042
Cumulative Fire	6,034	1,599	1,900	5,733
Tipton Co. Foundation - Police Department	(54)	1,000	652	294
Rainy Day	-	772	-	772
Grant Fund	-	25,500	25,500	-
Totals	\$ 106,245	\$ 154,825	\$ 140,307	\$ 120,763

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 52,703	\$ 96,217	\$ 112,692	\$ 36,228
Motor Vehicle Highway	22,443	15,286	22,397	15,332
Local Road and Street	7,100	1,867	253	8,714
Economic Development Income Tax	12,830	7,601	11,412	9,019
Park and Recreation	24	400	-	424
Local Law Enforcement Continuing Education	329	807	80	1,056
Donation	1,041	-	595	446
Riverboat	9,452	2,384	3,648	8,188
Cumulative Capital Improvement	8,042	1,236	1,560	7,718
Cumulative Fire	5,733	1,601	-	7,334
Tipton Co. Foundation - Police Department	294	459	807	(54)
Rainy Day	772	2,420	-	3,192
Grant Fund	-	15,799	15,799	-
Concession/Fundraiser	-	6,048	4,693	1,355
Library	-	2,288	2,032	256
Gym Rental	-	280	-	280
Totals	\$ 120,763	\$ 154,693	\$ 175,968	\$ 99,488

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

TOWN OF KEMPTON
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, 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.

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

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination. Depository reconciliations performed by the State Board of Accounts did reconcile the fund balances to the bank account balances at December 31, 2006, 2007, and 2008. As noted in the "Posting Errors" examination result and comment, numerous posting errors were identified, requiring adjustments to the unit's records in the amounts of \$ 8,185.73, \$ (4,607.70) and \$ (8,937.13) for the years ended December 31, 2006, 2007, and 2008, respectively.

IC 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."

ADVANCE PAYMENTS

During a review of disbursements, it was noted that several checks cleared the bank prior to the check date as posted in the Town's ledger. Upon further examination, differences were noted between the check carbon copies and the optical images of actual checks that cleared the bank. This indicates that the check dates on the carbon copies were filled in at a later time. Below is a schedule showing the differences noted.

Check Number	Check Date			Amount
	Per Funds Ledger	Per Check Carbon	Per Optical Image	
2610	1/24/2006	1/24/2006	1/19/2006	\$ 84.79
2650	3/21/2006	Blank	3/17/2006	350.00
2654	3/24/2006	3/24/2006	March __, 2006	384.79
2680	4/21/2006	4/21/____	4/14/2006	384.79
2715	6/23/2006	6/23/2006	6/15/2006	384.79
2740	7/21/2006	7/21/2006	7/01/2006	384.79
2765	8/24/2006	7/01/2006	8/01/2006	384.79
2780	9/22/2006	9/01/2006	9/01/2006	384.79
2810	10/25/2006	10/25/2006	10/02/2006	384.79
2835	11/17/2006	11/17/2006	11/01/2006	384.79
2875	1/23/2007	1/23/2007	1/01/2007	423.41
2895	2/23/2007	2/23/2007	2/01/2007	423.41
2925	3/23/2007	3/23/2007	3/01/2007	423.41

IC 5-7-3-1(a) states:

"Public officers may not draw or receive their salaries in advance."

TOWN OF KEMPTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Clerk Treasurer

Marjorie Morris, former Clerk-Treasurer, received \$ 850.00 in payments during 2006 which were not included on the salary ordinance or resolution, nor were they included on any of the claim dockets approved by the Town Council. Marjorie Morris, former Clerk-Treasurer, also received \$100 during 2006 for "cleaning labor & supplies" that were not included on the salary ordinance or resolution; however, this was on a claim docket approved by the Town Council.

IC 36-5-3-2 states in part:

"The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

Compensation of all town officers and employees shall be fixed by an ordinance of the town council, and for other than elected town officials, this compensation may be changed by another ordinance of the town council at any time. At the time such compensation is fixed, it may be prorated between the general fund or any other applicable funds of the town, as well as any available funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Marjorie Morris, former Clerk Treasurer, was requested to reimburse the Town \$950. (See Summary, page 16)

Other Employees

Other Town employees received payments during 2006, 2007, and 2008 which were not included on the salary ordinance. The Town Marshal received payments in excess of the salary ordinance in the amount of \$599.94 and \$519.56 for 2006 and 2007, respectively. The Town's part-time employee received payments in excess of the salary ordinance in the amount \$871.00 for 2008.

Compensation of all town officers and employees shall be fixed by an ordinance of the town council, and for other than elected town officials, this compensation may be changed by another ordinance of the town council at any time. At the time such compensation is fixed, it may be prorated between the general fund or any other applicable funds of the town, as well as any available funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POSTING ERRORS

The following deficiencies, relating to the recordkeeping that were cited in the prior examination report, were again present during our period of examination:

There were a considerable number of posting errors. These errors included deposits not receipted, checks not posted, checks and receipts not recorded in the proper amounts, interest not posted, balances carried forward incorrectly, activity not accounted for in various funds and transfers between funds not posted accurately.

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)

TOWN OF KEMPTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

Annual reports for 2006 and 2007 were not presented for examination.

IC 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 . . ."

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 2006 and 2007.

IC 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."

PAYROLL DEDUCTIONS

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

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)

TOWN OF KEMPTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$89.49 were paid to various federal and state departments during the years 2006, 2007, and 2008.

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2008	<u>\$ 21,822</u>

IC 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."

OPTICAL IMAGES OF WARRANTS

Optical images of the checks provided with the bank statements contained only the front side of the checks.

IC 5-15-6-3(a) concerning optical imaging of checks states in part:

"original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

TOWN OF KEMPTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Further, IC 26-2-8-111(a) and (e) state in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

BOARD MINUTES

The Board minutes did not adequately document the annual reorganization of the Town Council and election of Town officers for 2006, 2007, and 2008.

IC 36-5-2-7 states:

"The legislative body shall select one (1) of its members to be its president for a definite term, which may not exceed his term of office as a member of the legislative body."

IC 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.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

PRESCRIBED FORMS

The following prescribed forms were not in use or presented for examination:

City and Town Form 209 - "Ledger of Appropriations,
Encumbrances, Disbursements and Balances"
City and Town Form 211 - "Capital Assets Ledger"
General Form 99 - "Payroll Schedule and Voucher"
General Form 99A - "Employee's Service Record"

TOWN OF KEMPTON
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)

CAPITAL ASSET RECORDS

The Town did not maintain capital asset records for 2006, 2007, or 2008. An inventory is being performed as of December 31, 2008, to establish beginning capital asset balances for 2009.

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)

HANDGUN APPLICATION FEE

Handgun permit application fees were not remitted to the clerk treasurer and deposited in a timely fashion. In some instances, there were delays in excess of 30 days between the application date and the deposit date.

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

CREDIT CARDS

The Town is using credit cards to purchase items without an approved credit card policy.

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

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or 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 should 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, etc.

TOWN OF KEMPTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (6) Credit cards should 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 board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should 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 should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND - NOT FILED

The official bond for Rebecca Sherrill, Clerk-Treasurer, was not filed in the Office of the County Recorder:

IC 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

OFFICIAL BOND

An official bond for Marjorie Morris, former Clerk Treasurer, was filed in the office of the Tipton County Recorder and covered the period for a term beginning from January 1, 2004 and until successor is duly qualified. The guarantor was Ohio Farmers Insurance Company.

AUDIT COSTS - CONDITION OF RECORDS

We noted the following concerning the records: no annual report filed; deposits not recorded; checks not posted; checks and receipts not recorded in the proper amounts; balances not carried forward correctly; and transfers between funds not posted correctly. Additional examination time was required to prepare financial statements and other information necessary for the examination report.

Audit costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF KEMPTON
EXIT CONFERENCE

The contents of this report were discussed on February 18, 2009, with Rebecca Sherrill, Clerk-Treasurer; Tina Winn, Town Council member; Alice Book, Town Council member; and William Huffer, President of the Town Council. The officials concurred with our findings.

The contents of this report were discussed on February 18, 2009, with Marjorie Morris, former Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 14 and 15.

Official Response

February 25, 2009

To Whom It May Concern:

I strongly object to some of the results of my Exit Conference. The Town Hall was moved to 205 N. Main St. in the month of December. I had a box plainly marked 2006-2007 somehow it never got moved. I had told those that were moving things to call when they moved what was in my room to call so I could come to see they moved what needed to go, but they failed to call just dumped bags & boxes. I had packed except no box with 2006-2007 which contained what I had packed for audit missing were all bank statements with the check imags & bank consolidation on the back also I had all receipts for 2006-2007 in large envelopes that could not be found along with several other things. I found some of the stuff in the plastic bag but not what I really needed.

I could not work in the office at the old Town Hall because of the mold on the whole office & the smell from the bath room that did not work properly.

In the months of Nov thru March when it was cold they kept the Temp. at 50°, when you went to work you had to turn it up the heat. But it wasn't even warm it was time to leave. They talked for 2 yrs about finding some place to rent but never could agree on a place. I had to make a little office in my family room and take what had to be worked home they didn't want to move the Fax/Copier so I ran back & forth to use them after so long of nothing but talk I told them I would keep taking it home but I was not doing it for nothing. I charged them 25.00 per mo for 5 months a year for 4 yrs. for a total of 4 years. There was a voucher for it but is one of things that ^{was} in the missing box also the voucher for the 350.00 reimbursement to myself for a number of supplies was also in the missing box.

Sincerely
Marjorie E Morris

Marjorie E Morris
305 N. Elm. St Box 48
Kempton, W. 46049

TOWN OF KEMPTON
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Marjorie Morris, former Clerk-Treasurer: Compensation and Benefits, page 7	\$ 950	\$ -	\$ 950

AFFIDAVIT

STATE OF INDIANA)
)
Howard COUNTY)

I, David Bixler, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Kempton, Tipton County, Indiana, for the period from January 1, 2006 to December 31, 2008, is true and correct to the best of my knowledge and belief.

David Bixler
Field Examiner

Subscribed and sworn to before me this 3rd day of March, 2009.

Melinda Brown
Notary Public

My Commission Expires: November 15, 2014

County of Residence: Howard

