

B37151

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

EXAMINATION REPORT  
OF  
TOWN OF KENTLAND  
NEWTON COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
06/24/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Plunkett	01-01-07 to 12-31-10
President of the Town Council	David P. Smart	01-01-08 to 12-31-10
Superintendent of Utilities	Terry Hafstrom	01-01-08 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF KENTLAND, NEWTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Kentland (Town), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

June 3, 2010

TOWN OF KENTLAND  
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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 226,163	\$ 303,114	\$ 339,419	\$ 189,858
Motor Vehicle Highway	145,955	88,626	108,207	126,374
Local Road and Street	8,888	7,685	500	16,073
Park and Recreation	76,615	64,556	108,053	33,118
Law Enforcement Continuing Education	2,196	176	1,714	658
Riverboat	16,347	11,430	1,680	26,097
Rainy Day	82	20,319	6,352	14,049
Donation	58,563	400	13,827	45,136
Cumulative Capital Improvement	5,952	5,925	2,120	9,757
Cumulative Capital Development	152,083	15,829	92,460	75,452
Sanitation	93,287	176,832	102,345	167,774
Aviation	-	21,698	37,237	(15,539)
Park Deposit	725	7,250	6,000	1,975
Park Special Nonreverting Donation	1,957	6,375	4,169	4,163
Building Permit	380	5,928	5,688	620
Cable TV Franchise	-	7,693	3,758	3,935
Excess Levy	8,000	-	-	8,000
Kentland Library Expansion Fund	-	436,063	339,693	96,370
Kentland Library Retainage Fund	-	25,617	-	25,617
Proprietary Funds:				
Water Utility - Operating	678,977	321,868	289,966	710,879
Water Utility - Customer Deposit	13,299	6,501	6,460	13,340
Water Utility - Reserve	3,300	-	-	3,300
Wastewater Utility - Operating	557,143	582,853	466,373	673,623
Fiduciary Fund:				
Payroll	3,784	333,769	325,073	12,480
Totals	<u>\$ 2,053,696</u>	<u>\$ 2,450,507</u>	<u>\$ 2,261,094</u>	<u>\$ 2,243,109</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 189,858	\$ 486,698	\$ 353,634	\$ 322,922
Motor Vehicle Highway	126,374	245,143	104,960	266,557
Local Road and Street	16,073	7,159	3,440	19,792
Park and Recreation	33,118	140,580	112,344	61,354
Law Enforcement Continuing Education	658	185	40	803
Riverboat	26,097	11,402	2,000	35,499
Rainy Day	14,049	5,765	16,200	3,614
Donation	45,136	-	34,261	10,875
Cumulative Capital Improvement	9,757	5,587	4,870	10,474
Cumulative Capital Development	75,452	37,598	-	113,050
Sanitation	167,774	173,146	119,381	221,539
Aviation	(15,539)	98,638	115,124	(32,025)
Park Deposit	1,975	3,000	4,700	275
Park Special Nonreverting Donation	4,163	3,025	4,950	2,238
Building Permit	620	840	1,460	-
Cable TV Franchise	3,935	16,008	3,925	16,018
Excess Levy	8,000	-	-	8,000
Kentland Library Expansion Fund	96,370	946,705	1,043,075	-
Kentland Library Retainage Fund	25,617	81,437	107,054	-
Proprietary Funds:				
Water Utility - Operating	710,879	354,288	296,825	768,342
Water Utility - Customer Deposit	13,340	6,000	5,157	14,183
Water Utility - Reserve	3,300	-	-	3,300
Water Utility - Planning Grant	-	23,760	28,000	(4,240)
Wastewater Utility - Operating	673,623	537,826	540,380	671,069
Fiduciary Fund:				
Payroll	12,480	370,291	365,760	17,011
Totals	<u>\$ 2,243,109</u>	<u>\$ 3,555,081</u>	<u>\$ 3,267,540</u>	<u>\$ 2,530,650</u>

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

TOWN OF KENTLAND  
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. 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.

TOWN OF KENTLAND  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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 Town is currently in the process of upgrading its water works system. Preliminary engineering estimates have the project costing approximately \$1.27 million. The Town is in the process of applying for an Office of Community and Rural Affairs (OCRA) grant for approximately \$1 million. The remainder of the project would come from funds on hand or future revenues. The Town is also applying for an \$800,000 grant with OCRA for a new 250,000 gallon water tower. The water tower project will also require a 20% match of local funds.

TOWN OF KENTLAND  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Wastewater Utility:		
Notes and Loans:		
Wastewater Improvements	\$ 203,000	\$ 131,000
Total Wastewater Utility	<u>\$ 203,000</u>	<u>\$ 131,000</u>

TOWN OF KENTLAND  
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Neither the Town nor its' Utilities maintain detailed records of capital assets. Purchases and deletions or disposals of capital assets are not recorded. This was also noted in the prior Report B32343.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

ANNUAL REPORT

An annual report for 2008 was not presented for examination. The annual report for 2009 was partially completed, but was not reflective of all of the financial activity of the Town of Kentland.

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 . . ."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the Town's fund balances to the Town's bank account balances were not properly completed for the period July of 2008 through April of 2010.

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."

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 7)

OVERDRAWN CASH BALANCE

The cash balance of the Aviation Fund was overdrawn at December 31, 2008 and 2009. The cash balance of the Water Utility Planning Grant Fund was overdrawn at December 31, 2009.

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

TOWN OF KENTLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DONATIONS

The Sanitation fund donated \$30,000 to the Kentland Sequicentennial Committee. The Donation Fund gave \$22,000 to the Kentland Jefferson Township Public Library and \$5,000 to the Kentland Fall Festival Committee. The Riverboat fund donated \$2,000 to the Kentland Summer Baseball Association.

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$245.06 were paid to the Indiana Department of Revenue on July 15, 2009, for the tax liability periods ending March and April of 2009.

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)

TRANSFERS

The Sanitation Fund transferred \$3,061 and \$25,061 to the Aviation Fund during 2008 and 2009, respectively. The Cable TV Franchise Fund transferred \$3,759 and \$3,925 to the Aviation Fund during 2008 and 2009, respectively.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

Several Town and Utility employees received cash payments ranging from \$50 to \$150 in December of 2008 and again in December of 2009. These payments were not included in the payroll system or on the salary ordinance or resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF KENTLAND  
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2010, with David P. Smart, President of the Town Council; and Deborah Plunkett, Clerk-Treasurer. The officials concurred with our findings.