

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

EXAMINATION REPORT
OF
CITY OF KENDALLVILLE
NOBLE COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED
12/29/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information:	
Schedule of Capital Assets.....	7
Schedule of Long-Term Debt	8
Examination Results and Comments:	
Police Department Receipts and Fees	9
Cemetery Receipts	9
Exit Conference.....	10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sheryl Hanes	01-01-08 to 12-31-11
Mayor	W. SuzAnne Handshoe	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	James Dazey	01-01-09 to 12-31-10
President of the Common Council	James Dazey	01-01-09 to 12-31-10
Superintendent of the Water Utility	Scott Mosley	01-01-09 to 12-31-10
Superintendent of the Wastewater Utility	Richard McGee	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF KENDALLVILLE, NOBLE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Kendallville (City), for the period of January 1, 2009 to December 31, 2009. The City'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 City for the year ended December 31, 2009, 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

October 27, 2010

CITY OF KENDALLVILLE
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 427,805	\$ 4,001,318	\$ 4,405,722	\$ 23,401
Motor Vehicle Highway	3,252	959,079	640,474	321,857
Local Road and Street	44,364	41,254	10,536	75,082
Park and Recreation	20,236	505,363	524,222	1,377
Special Park - Beyer	673	4,002	-	4,675
Special Park - Wayne	3	-	-	3
Special Park - Donation	14,518	4,715	5,796	13,437
Special Park - Cole	4,726	12,661	11,662	5,725
Special Park - Nature Center	1,419	79	240	1,258
Special Park - Programs	5,210	9,572	10,136	4,646
Special Park - Festival	85,225	75,647	85,537	75,335
Sports Complex	50,926	81,562	87,995	44,493
Park Nonreverting Capital	89,676	18	-	89,694
Redevelopment Community TIF District East Side	1,577,981	450,245	376,702	1,651,524
Construction CH/FS Fund (City Hall / Fire Station)	356	-	356	-
Capital Improvement	6,225	2,536,665	2,542,890	-
Law Enforcement Continuing Education	24,331	25,772	7,987	42,116
Rainy Day	72,943	109,947	-	182,890
Cumulative Capital Improvement	71,516	29,574	-	101,090
County Economic Development Income Tax	669	1	-	670
Economic Development Steering Committee	8,598	8,360	8,375	8,583
Redevelopment Commission Donation	12,995	15	-	13,010
Redevelopment Commission TIF	200,172	73,312	27,629	245,855
Economic Improvement District	43,496	31,993	19,431	56,058
CDBG Miscellaneous Income	405,815	456	47,710	358,561
Cemetery Operating	99,273	39,532	92,838	45,967
Cemetery Contingency	12,341	315	-	12,656
Cemetery Chapel	1,767	2	-	1,769
Aviation Commission	53,881	73,428	93,685	33,624
Aviation Construction	7,804	9	-	7,813
Storm Sewer	8,990	42,504	10,846	40,648
General Improvement	219,470	2,069	4,300	217,239
Street Lighting	5,621	6	-	5,627
Firefighting	163,996	42,191	5,939	200,248
Arson Prevention	26	-	-	26
Special Siren	10,786	1,288	-	12,074
FEMA Grant Fire Department	34	-	23	11
Hazardous Materials Trailer	13,234	585	304	13,515
Police Public Awareness	320	1	33	288
Police Reserve	9,696	4,119	4,212	9,603
Police K-9	43	2	45	-
Fourth of July Festival	21,675	5,024	10,569	16,130
City Beautification	5,573	6	341	5,238
Kid City Project	7,820	5,304	10,205	2,919
Grant Proceeds	375,046	654,435	928,554	100,927
Bond & Interest	(1,909)	213,740	210,093	1,738
Proprietary Funds:				
Water Utility - Operating	1,253,036	1,673,155	2,244,809	681,382
Water Utility - Bond and Interest	120,098	436,305	435,504	120,899
Water Utility - Improvement	297,602	285	174,578	123,309
Water Utility - Debt Service Reserve	230,431	72,374	-	302,805
Water Utility - Capital Improvement	6,486	451,396	457,882	-
Wastewater Utility - Operating	1,107,360	1,544,889	1,947,026	705,223
Wastewater Utility - Bond and Interest	4,290	313,621	313,520	4,391
Wastewater Utility - Improvement	25,413	330,860	356,273	-
Wastewater Utility - Debt Service Reserve	173,629	63,884	-	237,513
Wastewater Utility - Capital Improvement	663,639	637	628,605	35,671
Employment Security	27,201	29	7,580	19,650
Health/Vision Insurance	405,950	746,511	505,898	646,563
Fiduciary Funds:				
Police Officers' Pension	62,696	264,815	143,337	184,174
Firefighters' Pension	43,222	24,961	26,386	41,797
Cemetery Endowment	99,753	1,836	-	101,589
Payroll	51,767	4,080,285	4,092,093	39,959
Totals	\$ 8,761,190	\$ 20,052,013	\$ 21,518,878	\$ 7,294,325

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

CITY OF KENDALLVILLE
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City 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 City 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 City 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 City 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.

CITY OF KENDALLVILLE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

Utility Rate Increase

The City of Kendallville passed Ordinance #1131 on June 15, 2010, to increase Water Utility rates and Ordinance #1132 on June 15, 2010, to increase Wastewater Utility rates to be effective when signed.

CITY OF KENDALLVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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	\$ 17,134,283
Infrastructure	12,493,711
Buildings	3,707,860
Improvements other than buildings	12,573,863
Machinery and equipment	5,464,705
Construction in progress	<u>3,023,327</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 54,397,749</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 33,480
Buildings	461,912
Improvements other than buildings	10,045,444
Machinery and equipment	1,270,592
Construction in progress	<u>5,662,815</u>
 Total Water Utility capital assets, not being depreciated	 <u>17,474,243</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	1,435,723
Buildings	432,091
Improvements other than buildings	14,108,746
Machinery and equipment	490,306
Construction in progress	<u>2,934,526</u>
 Total Wastewater Utility capital assets not being depreciated	 <u>19,401,392</u>
Total business-type activities, capital assets not being depreciated	 <u>\$ 36,875,635</u>

CITY OF KENDALLVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2007 Ford truck/plow lease	\$ 8,721	\$ 9,323
Notes and loans payable:		
2004 Airport hangar note	143,654	28,649
2008 Radio equipment loan	20,000	20,652
2008 Police cars loan	12,000	12,565
2008 KLDC grant loan	1,264,309	29,968
2009 KLDC local loan	866,337	229,451
2009 Police car loan	9,035	4,998
2009 Street barn roof	36,667	19,571
Bonds payable:		
General obligation bonds:		
Redevelopment commission revenue bonds	2,365,000	286,500
1998 General obligation bonds	<u>150,000</u>	<u>156,563</u>
Total governmental activities debt	<u>\$ 4,875,723</u>	<u>\$ 798,240</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
2007 Water improvement revenue bonds	<u>\$ 5,580,000</u>	<u>\$ 437,535</u>
Wastewater Utility:		
Revenue bonds:		
2006 Wastewater improvement revenue bonds	<u>3,615,000</u>	<u>317,108</u>
Total business-type activities debt	<u>\$ 9,195,000</u>	<u>\$ 754,643</u>

CITY OF KENDALLVILLE
EXAMINATION RESULTS AND COMMENTS

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the Police Department were remitted to the Clerk-Treasurer less frequently than once a week. Also, fees charged for accident reports were not in compliance with IC 9-29-11-1.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

IC 9-29-11-1 states in part:

". . . the main department, office, agency, or other person under whose supervision a law enforcement officer carries on the law enforcement officer's duties may charge a fee that is fixed by ordinance of the fiscal body in an amount not less than five dollars (\$5) for each report."

CEMETERY RECEIPTS

Receipts and fees collected by the Cemetery Director were remitted to the Clerk-Treasurer less frequently than once a week.

All collections made by any department or person connected with a city or town shall be turned into the Clerk-Treasurer or Controller at least weekly. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 6)

CITY OF KENDALLVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2010, with Sheryl Hanes, Clerk-Treasurer, and W. SuzAnne Handshoe, Mayor.