

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

AUDIT REPORT

OF

TOWN OF KEWANNA

FULTON COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
07/06/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer C. Kay	01-01-08 to 12-31-11
President of the Town Council	Jeffrey A. Finke	01-01-09 to 12-31-11
Superintendent of Utilities	Michael A. Molitor	01-01-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF KEWANNA, FULTON COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Kewanna (Town), for the years ended December 31, 2009 and 2010. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 21, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statements. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 21, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF KEWANNA, FULTON COUNTY, INDIANA

We have audited the financial statements of the Town of Kewanna (Town), for the years ended December 31, 2009 and 2010, and have issued our report thereon dated June 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, the Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 21, 2011

FINANCIAL STATEMENT(S)

TOWN OF KEWANNA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 62,334	\$ 187,281	\$ 155,474	\$ 94,141
Motor Vehicle Highway	35,998	63,338	47,344	51,992
Local Road And Street	5,493	2,608	645	7,456
Law Enforcement Continuing Ed	10	90	-	100
Riverboat	8,213	3,842	5,000	7,055
Rainy Day	30,750	441	-	31,191
Levy Excess	-	473	-	473
LOIT-Public Safety	-	18,087	-	18,087
Community Host Fee	23,653	-	12,068	11,585
REMC Round Up Grant	241	-	234	7
Cumulative Capital Improvement Cigarette Tax	11,833	1,883	1,980	11,736
Cumulative Capital Improvement (Tax Levy)	32,683	16,655	33,651	15,687
Construction	27,405	248,108	275,492	21
Wastewater Utility-Operating	37,144	118,886	125,338	30,692
Wastewater Utility-Bond And Interest	3,428	44,400	46,447	1,381
Wastewater Utility-Improvement	12,385	6,000	15,000	3,385
Wastewater Utility-Debt Reserve	51,449	944	-	52,393
Water Utility-Operating	46,643	111,079	109,579	48,143
Water Utility-Bond And Interest	14,878	38,400	38,035	15,243
Water Utility-Improvement	10,260	6,000	-	16,260
Water Utility-Customer Deposit	6,800	1,100	950	6,950
Water Utility-Debt Reserve	40,117	524	-	40,641
Totals	<u>\$ 461,717</u>	<u>\$ 870,139</u>	<u>\$ 867,237</u>	<u>\$ 464,619</u>

The notes to the financial statement(s) are an integral part of this statement.

TOWN OF KEWANNA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 94,141	\$ 189,777	\$ 159,602	\$ 124,316
Motor Vehicle Highway	51,992	65,059	68,002	49,049
Local Road And Street	7,456	2,634	5,000	5,090
Law Enforcement Continuing Ed	100	50	-	150
Riverboat	7,055	3,843	-	10,898
Rainy Day	31,191	7,845	25,000	14,036
Levy Excess	473	473	473	473
LOIT-Public Safety	18,087	18,635	33,848	2,874
Community Host Fee	11,585	-	1,934	9,651
REMC Round Up Grant	7	762	-	769
Cumulative Capital Improvement Cigarette Tax	11,736	2,127	2,809	11,054
Cumulative Capital Improvement (Tax Levy)	15,687	17,186	8,600	24,273
Construction	21	1,000,616	1,000,632	5
Wastewater Utility-Operating	30,692	130,203	132,112	28,783
Wastewater Utility-Bond And Interest	1,381	45,600	45,048	1,933
Wastewater Utility-Improvement	3,385	6,000	6,657	2,728
Wastewater Utility-Debt Reserve	52,393	521	-	52,914
Water Utility-Operating	48,143	106,860	96,916	58,087
Water Utility-Bond And Interest	15,243	38,400	37,510	16,133
Water Utility-Improvement	16,260	6,000	-	22,260
Water Utility-Customer Deposit	6,950	1,000	600	7,350
Water Utility-Debt Reserve	40,641	290	-	40,931
Totals	<u>\$ 464,619</u>	<u>\$ 1,643,881</u>	<u>\$ 1,624,743</u>	<u>\$ 483,757</u>

The notes to the financial statement(s) are an integral part of this statement.

TOWN OF KEWANNA
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF KEWANNA
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF KEWANNA
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF KEWANNA
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. *Risk Management*

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

Note 6. *Pension Plan(s)*

As of February 2, 1995 the Town approved a 457 retirement plan for town employees. The Town contributes \$500 per year into each employee's retirement plan. Employees have the option of having the town withhold funds from their pay to add to the retirement plan. Information regarding these plans may be obtained from the Town.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of Kewanna's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

TOWN OF KEWANNA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Rainy Day
Cash and investments - beginning	\$ 62,334	\$ 35,998	\$ 5,493	\$ 10	\$ 8,213	\$ 30,750
Receipts:						
Taxes	104,483	42,001	-	-	-	-
Intergovernmental	65,035	21,337	2,608	-	3,842	-
Fines and forfeits	10,434	-	-	90	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	7,329	-	-	-	-	441
Total receipts	<u>187,281</u>	<u>63,338</u>	<u>2,608</u>	<u>90</u>	<u>3,842</u>	<u>441</u>
Disbursements:						
Personal services	70,302	29,005	-	-	-	-
Supplies	12,692	13,213	-	-	-	-
Other services and charges	61,289	3,930	645	-	-	-
Debt service - principal and interest	1,252	-	-	-	-	-
Capital outlay	9,625	1,088	-	-	5,000	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	314	108	-	-	-	-
Total disbursements	<u>155,474</u>	<u>47,344</u>	<u>645</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>31,807</u>	<u>15,994</u>	<u>1,963</u>	<u>90</u>	<u>(1,158)</u>	<u>441</u>
Cash and investments - ending	<u>\$ 94,141</u>	<u>\$ 51,992</u>	<u>\$ 7,456</u>	<u>\$ 100</u>	<u>\$ 7,055</u>	<u>\$ 31,191</u>

TOWN OF KEWANNA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Levy Excess	LOIT-Public Safety	Community Host Fee	REMC Round Up Grant	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Improvement (Tax Levy)
Cash and investments - beginning	\$ -	\$ -	\$ 23,653	\$ 241	\$ 11,833	\$ 32,683
Receipts:						
Taxes	-	-	-	-	-	14,820
Intergovernmental	-	18,087	-	-	1,883	1,835
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	473	-	-	-	-	-
Total receipts	<u>473</u>	<u>18,087</u>	<u>-</u>	<u>-</u>	<u>1,883</u>	<u>16,655</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	234	-	-
Other services and charges	-	-	2,306	-	-	-
Debt service - principal and interest	-	-	-	-	-	8,600
Capital outlay	-	-	9,762	-	1,980	25,000
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	51
Total disbursements	<u>-</u>	<u>-</u>	<u>12,068</u>	<u>234</u>	<u>1,980</u>	<u>33,651</u>
Excess (deficiency) of receipts over disbursements	<u>473</u>	<u>18,087</u>	<u>(12,068)</u>	<u>(234)</u>	<u>(97)</u>	<u>(16,996)</u>
Cash and investments - ending	<u>\$ 473</u>	<u>\$ 18,087</u>	<u>\$ 11,585</u>	<u>\$ 7</u>	<u>\$ 11,736</u>	<u>\$ 15,687</u>

TOWN OF KEWANNA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	<u>Construction</u>	<u>Wastewater Utility-Operating</u>	<u>Wastewater Utility-Bond And Interest</u>	<u>Wastewater Utility-Improvement</u>	<u>Wastewater Utility-Debt Reserve</u>	<u>Water Utility-Operating</u>
Cash and investments - beginning	\$ 27,405	\$ 37,144	\$ 3,428	\$ 12,385	\$ 51,449	\$ 46,643
Receipts:						
Taxes	-	-	-	-	-	-
Intergovernmental	248,108	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	95,147	-	-	-	107,882
Penalties	-	2,794	-	-	-	-
Other receipts	-	20,945	44,400	6,000	944	3,197
Total receipts	<u>248,108</u>	<u>118,886</u>	<u>44,400</u>	<u>6,000</u>	<u>944</u>	<u>111,079</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	46,447	-	-	-
Capital outlay	275,492	11,300	-	15,000	-	-
Utility operating expenses	-	60,068	-	-	-	60,126
Other disbursements	-	53,970	-	-	-	49,453
Total disbursements	<u>275,492</u>	<u>125,338</u>	<u>46,447</u>	<u>15,000</u>	<u>-</u>	<u>109,579</u>
Excess (deficiency) of receipts over disbursements	<u>(27,384)</u>	<u>(6,452)</u>	<u>(2,047)</u>	<u>(9,000)</u>	<u>944</u>	<u>1,500</u>
Cash and investments - ending	<u>\$ 21</u>	<u>\$ 30,692</u>	<u>\$ 1,381</u>	<u>\$ 3,385</u>	<u>\$ 52,393</u>	<u>\$ 48,143</u>

TOWN OF KEWANNA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Water Utility-Bond And Interest	Water Utility-Improvement	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 14,878	\$ 10,260	\$ 6,800	\$ 40,117	\$ 461,717
Receipts:					
Taxes	-	-	-	-	161,304
Intergovernmental	-	-	-	-	362,735
Fines and forfeits	-	-	-	-	10,524
Utility fees	-	-	-	-	203,029
Penalties	-	-	-	-	2,794
Other receipts	38,400	6,000	1,100	524	129,753
Total receipts	<u>38,400</u>	<u>6,000</u>	<u>1,100</u>	<u>524</u>	<u>870,139</u>
Disbursements:					
Personal services	-	-	-	-	99,307
Supplies	-	-	-	-	26,139
Other services and charges	-	-	-	-	68,170
Debt service - principal and interest	38,035	-	-	-	94,334
Capital outlay	-	-	-	-	354,247
Utility operating expenses	-	-	-	-	120,194
Other disbursements	-	-	950	-	104,846
Total disbursements	<u>38,035</u>	<u>-</u>	<u>950</u>	<u>-</u>	<u>867,237</u>
Excess (deficiency) of receipts over disbursements	<u>365</u>	<u>6,000</u>	<u>150</u>	<u>524</u>	<u>2,902</u>
Cash and investments - ending	<u>\$ 15,243</u>	<u>\$ 16,260</u>	<u>\$ 6,950</u>	<u>\$ 40,641</u>	<u>\$ 464,619</u>

TOWN OF KEWANNA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Rainy Day
Cash and investments - beginning	\$ 94,141	\$ 51,992	\$ 7,456	\$ 100	\$ 7,055	\$ 31,191
Receipts:						
Taxes	116,953	41,835	-	-	-	-
Intergovernmental	65,544	20,431	2,634	-	3,843	7,666
Fines and forfeits	-	-	-	50	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	7,280	2,793	-	-	-	179
Total receipts	<u>189,777</u>	<u>65,059</u>	<u>2,634</u>	<u>50</u>	<u>3,843</u>	<u>7,845</u>
Disbursements:						
Personal services	77,147	31,158	-	-	-	-
Supplies	11,520	11,912	-	-	-	-
Other services and charges	64,626	24,932	5,000	-	-	25,000
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	6,309	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>159,602</u>	<u>68,002</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Excess (deficiency) of receipts over disbursements	<u>30,175</u>	<u>(2,943)</u>	<u>(2,366)</u>	<u>50</u>	<u>3,843</u>	<u>(17,155)</u>
Cash and investments - ending	<u>\$ 124,316</u>	<u>\$ 49,049</u>	<u>\$ 5,090</u>	<u>\$ 150</u>	<u>\$ 10,898</u>	<u>\$ 14,036</u>

TOWN OF KEWANNA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Levy Excess	LOIT-Public Safety	Community Host Fee	REMC Round Up Grant	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Improvement (Tax Levy)
Cash and investments - beginning	\$ 473	\$ 18,087	\$ 11,585	\$ 7	\$ 11,736	\$ 15,687
Receipts:						
Taxes	-	-	-	-	-	15,475
Intergovernmental	473	18,635	-	-	2,127	1,659
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	762	-	52
Total receipts	<u>473</u>	<u>18,635</u>	<u>-</u>	<u>762</u>	<u>2,127</u>	<u>17,186</u>
Disbursements:						
Personal services	-	-	107	-	-	-
Supplies	-	-	520	-	-	-
Other services and charges	-	5,023	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	8,600
Capital outlay	-	28,825	1,307	-	2,809	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	473	-	-	-	-	-
Total disbursements	<u>473</u>	<u>33,848</u>	<u>1,934</u>	<u>-</u>	<u>2,809</u>	<u>8,600</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(15,213)</u>	<u>(1,934)</u>	<u>762</u>	<u>(682)</u>	<u>8,586</u>
Cash and investments - ending	<u>\$ 473</u>	<u>\$ 2,874</u>	<u>\$ 9,651</u>	<u>\$ 769</u>	<u>\$ 11,054</u>	<u>\$ 24,273</u>

TOWN OF KEWANNA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	<u>Construction</u>	<u>Wastewater Utility-Operating</u>	<u>Wastewater Utility-Bond And Interest</u>	<u>Wastewater Utility-Improvement</u>	<u>Wastewater Utility-Debt Reserve</u>	<u>Water Utility-Operating</u>
Cash and investments - beginning	\$ 21	\$ 30,692	\$ 1,381	\$ 3,385	\$ 52,393	\$ 48,143
Receipts:						
Taxes	-	-	-	-	-	-
Intergovernmental	1,000,611	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	125,399	-	-	-	103,711
Penalties	-	2,571	-	-	-	-
Other receipts	5	2,233	45,600	6,000	521	3,149
Total receipts	<u>1,000,616</u>	<u>130,203</u>	<u>45,600</u>	<u>6,000</u>	<u>521</u>	<u>106,860</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	45,048	-	-	-
Capital outlay	1,000,632	21,368	-	6,657	-	-
Utility operating expenses	-	55,965	-	-	-	41,029
Other disbursements	-	54,779	-	-	-	55,887
Total disbursements	<u>1,000,632</u>	<u>132,112</u>	<u>45,048</u>	<u>6,657</u>	<u>-</u>	<u>96,916</u>
Excess (deficiency) of receipts over disbursements	<u>(16)</u>	<u>(1,909)</u>	<u>552</u>	<u>(657)</u>	<u>521</u>	<u>9,944</u>
Cash and investments - ending	<u>\$ 5</u>	<u>\$ 28,783</u>	<u>\$ 1,933</u>	<u>\$ 2,728</u>	<u>\$ 52,914</u>	<u>\$ 58,087</u>

TOWN OF KEWANNA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Water Utility-Bond And Interest	Water Utility-Improvement	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 15,243	\$ 16,260	\$ 6,950	\$ 40,641	\$ 464,619
Receipts:					
Taxes	-	-	-	-	174,263
Intergovernmental	-	-	-	-	1,123,623
Fines and forfeits	-	-	-	-	50
Utility fees	-	-	-	-	229,110
Penalties	-	-	-	-	2,571
Other receipts	38,400	6,000	1,000	290	114,264
Total receipts	<u>38,400</u>	<u>6,000</u>	<u>1,000</u>	<u>290</u>	<u>1,643,881</u>
Disbursements:					
Personal services	-	-	-	-	108,412
Supplies	-	-	-	-	23,952
Other services and charges	-	-	-	-	124,581
Debt service - principal and interest	37,510	-	-	-	91,158
Capital outlay	-	-	-	-	1,067,907
Utility operating expenses	-	-	-	-	96,994
Other disbursements	-	-	600	-	111,739
Total disbursements	<u>37,510</u>	<u>-</u>	<u>600</u>	<u>-</u>	<u>1,624,743</u>
Excess (deficiency) of receipts over disbursements	<u>890</u>	<u>6,000</u>	<u>400</u>	<u>290</u>	<u>19,138</u>
Cash and investments - ending	<u>\$ 16,133</u>	<u>\$ 22,260</u>	<u>\$ 7,350</u>	<u>\$ 40,931</u>	<u>\$ 483,757</u>

TOWN OF KEWANNA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 7,530
Buildings	166,275
Improvements other than buildings	130,980
Machinery and equipment	<u>221,592</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 526,377</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 32,863
Buildings	40,795
Improvements other than buildings	2,031,684
Machinery and equipment	<u>82,667</u>
 Total Water Utility capital assets	 <u>2,188,009</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	557,399
Buildings	362,860
Improvements other than buildings	2,332,295
Machinery and equipment	<u>209,933</u>
 Total Wastewater Utility capital assets	 <u>3,462,487</u>
 Total business-type activities capital assets	 <u>\$ 5,650,496</u>

TOWN OF KEWANNA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
FEDCO Loan	\$ 25,800	\$ 8,600
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks construction/improvement	\$ 514,000	\$ 37,986
Wastewater Utility:		
Revenue bonds:		
Wastewater construction/improvement	305,000	43,623
Total business-type activities debt	\$ 819,000	\$ 81,609

TOWN OF KEWANNA
AUDIT RESULT(S) AND COMMENT(S)

DEFICIENCY IN INTERNAL CONTROL - SEGREGATION OF DUTIES

Control activities should be selected and developed at various levels to reduce risks of error and/or fraud in the financial statements. The Town has not separated incompatible activities related to all areas of the financial statements. The failure to establish these controls could enable material misstatements to be undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF KEWANNA, FULTON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Kewanna (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended December 31, 2009 and 2010. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2009 and 2010.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management, the Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 21, 2011

TOWN OF KEWANNA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-09	Total Federal Awards Expended 12-31-10
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass Through Indiana Office of Community and Rural Affairs				
CDBG - State-Administered Small Cities Program Cluster				
Community Development Block Grants/State's Program				
and Non-Entitlement Grants in Hawaii	14.228			
WWTP Facility Improvements - Install Fencing		CF-07-204	\$ 275,492	\$ 632
Disaster Recovery - Storm Drainage		DR2-09-013	<u>-</u>	<u>1,000,000</u>
Total federal awards expended			<u>\$ 275,492</u>	<u>\$ 1,000,632</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF KEWANNA
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Kewanna (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF KEWANNA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____
CDBG – State–Administered Small Cities Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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TOWN OF KEWANNA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

***FINDING 2010-1 - INTERNAL CONTROLS OVER
FINANCIAL TRANSACTIONS AND REPORTING***

We noted a deficiency in the internal control system of the Town of Kewanna related to financial transactions and reporting. We believe this deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts (utility billings and collections) disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to occur and be undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF KEWANNA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

"No matters are reportable"

Town of Kewanna

P. O. Box 5
Kewanna, IN 46939

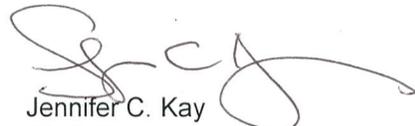
Office of Clerk-Treasurer
(574) 653-2112
Kewanna Water and Sewage Works
(574) 653-2112

June 21, 2011

CORRECTIVE ACTION PLAN

The management of the Town of Kewanna has reviewed the Financial Statement Finding 2010-1 Internal Controls over Financial Transactions and Reporting, related to their audit period January 1, 2009 to December 31, 2010. We offer the following corrective actions:

1. Lack of Segregation of Duties – The Clerk-Treasurer's office will review their office procedures and attempt to institute duties that would involve, at least on a sample basis, reviews of the work being performed by each of the office employees. However, the Town is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of the stronger internal control structure. Management acknowledges and assumes the risk inherent with the current design of their business office.



Jennifer C. Kay
Clerk-Treasurer

TOWN OF KEWANNA
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2011, with Jennifer C. Kay, Clerk-Treasurer, and Jeffrey A. Finke, President of the Town Council. The officials concurred with our audit findings.