

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, 2009 to December 31, 2010



FILED
10/04/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-11
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-18
Examination Results and Comments:	
Blank Check Disbursements	19
Official Bond	19
Appropriations.....	20
Penalties, Interest, and Other Charges	20
Deposits.....	20
Exit Conference.....	21
Official Response	22

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Rebecca Sherrill

04-08-08 to 12-31-11

President of the
Town Council

William Huffer
Tina Winn

01-01-09 to 12-31-09
01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements of the Town of Kempton (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination 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 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.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

The Town's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine 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 and the Town Council, 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

August 17, 2011

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FINANCIAL STATEMENTS

TOWN OF KEMPTON
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	\$ 36,228	\$ 114,696	\$ 114,546	\$ 36,378
Motor Vehicle Highway	15,333	20,773	25,586	10,520
Local Road And Street	8,714	2,712	7,000	4,426
Donations	446	-	54	392
Law Enforcement Continuing Ed	1,056	374	853	577
Riverboat	8,188	2,378	2,300	8,266
Park Donation	424	-	251	173
Rainy Day	3,192	834	-	4,026
Cumulative Fire	7,334	1,047	-	8,381
Capital Improvements	7,718	1,165	-	8,883
Park And Recreation Improvements	292	-	264	28
Town Edit	8,727	-	110	8,617
Fundraising	1,355	9,585	4,339	6,601
Gym Rental	280	-	280	-
Police Donation	(54)	54	-	-
Library Donation	256	800	596	460
	<u>\$ 99,489</u>	<u>\$ 154,418</u>	<u>\$ 156,179</u>	<u>\$ 97,728</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF KEMPTON
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	\$ 36,378	\$ 106,846	\$ 112,670	\$ 30,554
Motor Vehicle Highway	10,520	25,703	13,912	22,311
Local Road And Street	4,427	1,825	-	6,252
Donations	391	-	-	391
Law Enforcement Continuing Ed	576	170	296	450
Riverboat	8,266	2,378	-	10,644
Park Donation	173	2,565	618	2,120
Rainy Day	4,026	-	-	4,026
Grants	-	79,300	79,300	-
Cumulative Fire	8,381	1,152	7,336	2,197
Cumulative Capital Improvement	8,883	1,113	5,420	4,576
Cedit Capital Projects	8,617	8,843	8,731	8,729
Park And Recreation Improvements	29	-	16	13
Library Donation	460	27	294	193
Community Center/Fundraiser	6,601	8,922	11,063	4,460
	<u>\$ 97,728</u>	<u>\$ 238,844</u>	<u>\$ 239,656</u>	<u>\$ 96,916</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF KEMPTON
NOTES TO FINANCIAL STATEMENTS

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, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present 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.

Special assessments which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

TOWN OF KEMPTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

License and permits which includes 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 license and permits include: peddler licenses; dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits; and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is 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 includes 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).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

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

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

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:

TOWN OF KEMPTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Personal services which includes 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 includes 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 includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Debt service principle and interest which includes 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.

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

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

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

TOWN OF KEMPTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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% 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.

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 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 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.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Report of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF KEMPTON
 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	Donations	Law Enforcement Continuing Ed	Riverboat
Cash and investments - beginning	\$ 36,228	\$ 15,333	\$ 8,714	\$ 446	\$ 1,056	\$ 8,188
Receipts:						
Licenses and permits	-	-	-	-	374	-
Intergovernmental	114,696	20,773	2,712	-	-	2,378
Charges for services	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>114,696</u>	<u>20,773</u>	<u>2,712</u>	<u>-</u>	<u>374</u>	<u>2,378</u>
Disbursements:						
Other services and charges	-	-	-	-	-	-
Other disbursements	<u>114,546</u>	<u>25,586</u>	<u>7,000</u>	<u>54</u>	<u>853</u>	<u>2,300</u>
Total disbursements	<u>114,546</u>	<u>25,586</u>	<u>7,000</u>	<u>54</u>	<u>853</u>	<u>2,300</u>
Excess (deficiency) of receipts over disbursements	<u>150</u>	<u>(4,813)</u>	<u>(4,288)</u>	<u>(54)</u>	<u>(479)</u>	<u>78</u>
Cash and investments - ending	<u>\$ 36,378</u>	<u>\$ 10,520</u>	<u>\$ 4,426</u>	<u>\$ 392</u>	<u>\$ 577</u>	<u>\$ 8,266</u>

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

	Park Donation	Rainy Day	Cumulative Fire	Capital Improvements	Park And Recreation Improvements	Town Edit
Cash and investments - beginning	\$ 424	\$ 3,192	\$ 7,334	\$ 7,718	\$ 292	\$ 8,727
Receipts:						
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	834	1,047	-	-	-
Other receipts	-	-	-	1,165	-	-
Total receipts	-	834	1,047	1,165	-	-
Disbursements:						
Other services and charges	-	-	-	-	-	-
Other disbursements	251	-	-	-	264	110
Total disbursements	251	-	-	-	264	110
Excess (deficiency) of receipts over disbursements	(251)	834	1,047	1,165	(264)	(110)
Cash and investments - ending	\$ 173	\$ 4,026	\$ 8,381	\$ 8,883	\$ 28	\$ 8,617

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

	Fundraising	Gym Rental	Police Donation	Library Donation	Totals
Cash and investments - beginning	\$ 1,355	\$ 280	\$ (54)	\$ 256	\$ 99,489
Receipts:					
Licenses and permits	-	-	-	-	374
Intergovernmental	-	-	-	-	140,559
Charges for services	-	-	-	-	1,881
Other receipts	9,585	-	54	800	11,604
Total receipts	9,585	-	54	800	154,418
Disbursements:					
Other services and charges	4,339	280	-	596	5,215
Other disbursements	-	-	-	-	150,964
Total disbursements	4,339	280	-	596	156,179
Excess (deficiency) of receipts over disbursements	5,246	(280)	54	204	(1,761)
Cash and investments - ending	\$ 6,601	\$ -	\$ -	\$ 460	\$ 97,728

TOWN OF KEMPTON
 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	Donations	Law Enforcement Continuing Ed	Riverboat	Park Donation	Rainy Day
Cash and investments - beginning	\$ 36,378	\$ 10,520	\$ 4,427	\$ 391	\$ 576	\$ 8,266	\$ 173	\$ 4,026
Receipts:								
Taxes	58,619	13,024	-	-	-	-	-	-
Licenses and permits	8,037	-	-	-	-	-	-	-
Intergovernmental	30,489	7,532	1,825	-	-	2,378	-	-
Charges for services	-	-	-	-	170	-	-	-
Fines and forfeits	4,903	-	-	-	-	-	-	-
Other receipts	4,798	5,147	-	-	-	-	2,565	-
Total receipts	<u>106,846</u>	<u>25,703</u>	<u>1,825</u>	<u>-</u>	<u>170</u>	<u>2,378</u>	<u>2,565</u>	<u>-</u>
Disbursements:								
Personal services	38,442	-	-	-	-	-	-	-
Supplies	580	5,334	-	-	296	-	618	-
Other services and charges	73,648	6,765	-	-	-	-	-	-
Other disbursements	-	1,813	-	-	-	-	-	-
Total disbursements	<u>112,670</u>	<u>13,912</u>	<u>-</u>	<u>-</u>	<u>296</u>	<u>-</u>	<u>618</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(5,824)</u>	<u>11,791</u>	<u>1,825</u>	<u>-</u>	<u>(126)</u>	<u>2,378</u>	<u>1,947</u>	<u>-</u>
Cash and investments - ending	<u>\$ 30,554</u>	<u>\$ 22,311</u>	<u>\$ 6,252</u>	<u>\$ 391</u>	<u>\$ 450</u>	<u>\$ 10,644</u>	<u>\$ 2,120</u>	<u>\$ 4,026</u>

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

	Grants	Cumulative Fire	Cumulative Capital Improvement	Cedit Capital Projects	Park And Recreation Improvements	Library Donation	Community Center/Fundraiser	Totals
Cash and investments - beginning	\$ -	\$ 8,381	\$ 8,883	\$ 8,617	\$ 29	\$ 460	\$ 6,601	\$ 97,728
Receipts:								
Taxes	-	-	-	-	-	-	-	71,643
Licenses and permits	-	-	-	-	-	-	-	8,037
Intergovernmental	79,300	1,152	1,113	8,843	-	-	-	132,632
Charges for services	-	-	-	-	-	-	-	170
Fines and forfeits	-	-	-	-	-	-	-	4,903
Other receipts	-	-	-	-	-	27	8,922	21,459
Total receipts	<u>79,300</u>	<u>1,152</u>	<u>1,113</u>	<u>8,843</u>	<u>-</u>	<u>27</u>	<u>8,922</u>	<u>238,844</u>
Disbursements:								
Personal services	-	-	-	-	-	-	-	38,442
Supplies	-	-	-	933	16	-	-	7,777
Other services and charges	-	7,336	5,420	7,798	-	294	-	101,261
Other disbursements	<u>79,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,063</u>	<u>92,176</u>
Total disbursements	<u>79,300</u>	<u>7,336</u>	<u>5,420</u>	<u>8,731</u>	<u>16</u>	<u>294</u>	<u>11,063</u>	<u>239,656</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(6,184)</u>	<u>(4,307)</u>	<u>112</u>	<u>(16)</u>	<u>(267)</u>	<u>(2,141)</u>	<u>(812)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,197</u>	<u>\$ 4,576</u>	<u>\$ 8,729</u>	<u>\$ 13</u>	<u>\$ 193</u>	<u>\$ 4,460</u>	<u>\$ 96,916</u>

TOWN OF KEMPTON
EXAMINATION RESULTS AND COMMENTS

BLANK CHECK DISBURSEMENTS

In several instances blank signed checks were given to individuals to pay for purchases. In one instance the vendor receipts, invoices, claims, and other supporting information, were not available to verify the validity of the disbursement. Due to the lack of supporting information, the validity and accountability for some monies disbursed could not be established.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

OFFICIAL BOND

The following official bonds did not have sufficient annual coverage: Clerk-Treasurer was bonded for \$15,000 and the Town Marshall was bonded for \$8,500.

Indiana Code 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. . . ."

Indiana Code 5-4-1-18 (c) states in part:

". . . the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk treasurers. Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows: (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2). (2) The amount may not be less than thirty thousand (\$30,000) nor more than three hundred thousand (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee. . . . The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

TOWN OF KEMPTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

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>
Cumulative Fire	2010	\$ 3
Cedit Capital Projects	2010	5419
Cumulative Capital Improvement	2010	8731

Indiana Code 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."

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$208.04 were paid to the Internal Revenue Service (IRS) on February 15, 2010, for the period of third Quarter of 2009. Penalties and interest totaling \$840.24 were paid to the IRS on February 21, 2011, for first and second quarter of 2010.

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)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories: (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TOWN OF KEMPTON
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2011, with Rebecca Sherrill, Clerk-Treasurer, and Tina Winn, President of the Town Council. The official response has been made a part of this report and may be found on page 22.

OFFICIAL RESPONSE

From Rebecca Sherrill Clerk/Treasurer

Town of Kempton

BLANK CHECK DISBURSEMENTS: In several instances I did sign a check and give it to a Board Member or the Town Marshal to pick up cleaning items or purchase items for the Town and a receipt along with the items purchased was turned into the office the following day. There was one occasion a check was given to the Marshall to purchase water softener salt and the receipt was lost however the amount of the check was recovered from Marsh Grocery by the Marshal and the salt was in our inventory. This was a practice that was done before I took office and I was unaware that this was unacceptable.

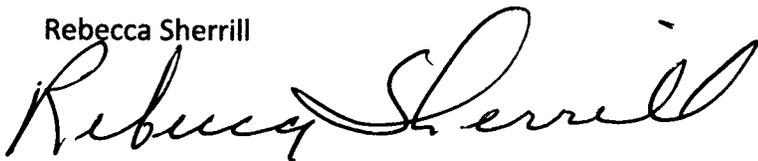
OFFICIAL BOND: I was unaware that the amount of the bonds was to be increased. This was corrected right away.

APPROPRIATIONS: The \$5419 from EDIT and \$8731 from CCI were wrote directly from these funds as our share of the demolition grant where as I should have appropriated it the year prior, filed for an additional appropriation, or did a transfer of funds to the Grant fund and wrote the check from there. I am aware now as to how to treat any Grant Funds we may receive.

DEPOSITS: On occasions I have deposited checks later than the next business day because of the high cost of gas and the closure of the bank in our Town.

PENALTIES, INTEREST AND OTHER CHARGES: There has been a misunderstanding for the past two years as to whether I should be reporting to the IRS quarterly or yearly because of our small payroll. We are doing the 941 quarterly reports now but they would not forgive the late fees that occurred for quarters that they considered late. I am on the right track now with the IRS.

Rebecca Sherrill

A handwritten signature in black ink that reads "Rebecca Sherrill". The signature is written in a cursive style with a large, looping initial "R".