

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

EXAMINATION REPORT
OF
TOWN OF KINGMAN
FOUNTAIN COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
12/12/2011

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Debra S. Hall
Abigail Wilson

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

President of the Town Council

Thomas D. Hunt

01-01-09 to 12-31-11



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 ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF KINGMAN, FOUNTAIN COUNTY, INDIANA

We have examined the financial statements of the Town of Kingman (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 statement 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 Schedule 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 statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, has not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management and 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

September 6, 2011

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FINANCIAL STATEMENTS

TOWN OF KINGMAN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2009 And 2010

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 27,324	\$ 108,887	\$ 78,273	\$ 57,938
Motor Vehicle Highway	22,870	17,754	19,976	20,648
Local Road and Street	3,783	2,144	1,979	3,948
Law Enforcement Continuing Education	360	230	250	340
Riverboat	10,153	3,367	850	12,670
Rainy Day	3,399	1,615	-	5,014
Levy Excess	800	-	-	800
Cumulative Capital Improvement	-	1,650	-	1,650
Cumulative Capital Development	36,632	5,356	-	41,988
Cumulative Building and Fire Fighting Equipment	13,862	-	-	13,862
Proprietary Funds:				
Water Utility - Operating	45,783	114,428	114,600	45,611
Water Utility - Bond and Interest	25,108	15,767	-	40,875
Water Utility - Depreciation	5,372	3,033	-	8,405
Water Utility - Customer Deposit	7,557	4,706	4,098	8,165
Wastewater Utility - Operating	13,319	85,287	99,242	(636)
Wastewater Utility - Bond and Interest	22,940	30,194	53,055	79
Wastewater Utility - Depreciation	15,159	3,084	-	18,243
Wastewater Utility - Reserve Investment	25,000	1,047	-	26,047
Fiduciary Fund:				
Payroll	1,169	32,767	32,880	1,056
Totals	<u>\$ 280,590</u>	<u>\$ 431,316</u>	<u>\$ 405,203</u>	<u>\$ 306,703</u>
	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Funds:				
General	\$ 57,938	\$ 92,338	\$ 90,967	\$ 59,309
Motor Vehicle Highway	20,648	17,277	4,371	33,554
Local Road and Street	3,948	2,191	171	5,968
Law Enforcement Continuing Education	340	275	599	16
Riverboat	12,670	3,367	-	16,037
Rainy Day	5,014	1,767	-	6,781
Levy Excess	800	-	-	800
Cumulative Capital Improvement	1,650	1,575	-	3,225
Cumulative Capital Development	41,988	11,230	31,717	21,501
Cumulative Building and Fire Fighting Equipment	13,862	-	-	13,862
Proprietary Funds:				
Water Utility - Operating	45,611	93,387	100,586	38,412
Water Utility - Bond and Interest	40,875	15,818	-	56,693
Water Utility - Depreciation	8,405	3,036	-	11,441
Water Utility - Customer Deposit	8,165	4,991	3,158	9,998
Wastewater Utility - Operating	(636)	95,307	83,565	11,106
Wastewater Utility - Bond and Interest	79	20,647	5,500	15,226
Wastewater Utility - Depreciation	18,243	3,340	-	21,583
Wastewater Utility - Debt Reserve	26,047	-	-	26,047
Fiduciary Fund:				
Payroll	1,056	35,067	32,350	3,773
Totals	<u>\$ 306,703</u>	<u>\$ 401,613</u>	<u>\$ 352,984</u>	<u>\$ 355,332</u>

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

TOWN OF KINGMAN
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, general administrative services, water and wastewater.

The accompanying financial statements present the financial information for 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.

Licenses 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 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 KINGMAN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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:

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.

TOWN OF KINGMAN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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

TOWN OF KINGMAN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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/.

TOWN OF KINGMAN
 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	Levy Excess
Cash and investments - beginning	\$ 57,938	\$ 20,648	\$ 3,948	\$ 340	\$ 12,670	\$ 5,014	\$ 800
Receipts:							
Taxes	69,591	-	-	-	-	-	-
Intergovernmental	21,676	17,277	2,191	-	3,367	1,767	-
Charges for services	-	-	-	100	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,071	-	-	175	-	-	-
Total receipts	<u>92,338</u>	<u>17,277</u>	<u>2,191</u>	<u>275</u>	<u>3,367</u>	<u>1,767</u>	<u>-</u>
Disbursements:							
Personal services	21,954	-	-	-	-	-	-
Supplies	7,154	-	171	-	-	-	-
Other services and charges	48,013	4,371	-	599	-	-	-
Capital outlay	5,421	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,425	-	-	-	-	-	-
Total disbursements	<u>90,967</u>	<u>4,371</u>	<u>171</u>	<u>599</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,371</u>	<u>12,906</u>	<u>2,020</u>	<u>(324)</u>	<u>3,367</u>	<u>1,767</u>	<u>-</u>
Cash and investments - ending	<u>\$ 59,309</u>	<u>\$ 33,554</u>	<u>\$ 5,968</u>	<u>\$ 16</u>	<u>\$ 16,037</u>	<u>\$ 6,781</u>	<u>\$ 800</u>

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

	Cumulative Capital Development	And Firefighting Equipment	Cumulative Capital Improvement	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve
Cash and investments - beginning	\$ 41,987	\$ 13,862	\$ 1,650	\$ 1,056	\$ (637)	\$ 79	\$ 18,243
Receipts:							
Taxes	3,855	-	-	-	-	-	-
Intergovernmental	104	-	1,575	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	2,328	-	-
Penalties	-	-	-	-	51	-	-
Other receipts	7,272	-	-	35,067	92,929	20,647	3,340
Total receipts	11,231	-	1,575	35,067	95,308	20,647	3,340
Disbursements:							
Personal services	-	-	-	32,350	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	31,717	-	-	-	7,579	-	-
Utility operating expenses	-	-	-	-	49,718	-	-
Other disbursements	-	-	-	-	26,268	5,500	-
Total disbursements	31,717	-	-	32,350	83,565	5,500	-
Excess (deficiency) of receipts over disbursements	(20,486)	-	1,575	2,717	11,743	15,147	3,340
Cash and investments - ending	\$ 21,501	\$ 13,862	\$ 3,225	\$ 3,773	\$ 11,106	\$ 15,226	\$ 21,583

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

	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/Improve	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 26,047	\$ 45,611	\$ 40,874	\$ 8,405	\$ 8,165	\$ 306,700
Receipts:						
Taxes	-	-	-	-	-	73,446
Intergovernmental	-	-	-	-	-	47,957
Charges for services	-	-	-	-	-	100
Utility fees	-	85,428	-	-	-	87,756
Penalties	-	1,216	-	-	-	1,267
Other receipts	-	6,745	15,819	3,036	4,990	191,091
Total receipts	-	93,389	15,819	3,036	4,990	401,617
Disbursements:						
Personal services	-	-	-	-	-	54,304
Supplies	-	-	-	-	-	7,325
Other services and charges	-	-	-	-	-	52,983
Capital outlay	-	5,596	-	-	-	50,313
Utility operating expenses	-	66,271	-	-	3,157	119,146
Other disbursements	-	28,721	-	-	-	68,914
Total disbursements	-	100,588	-	-	3,157	352,985
Excess (deficiency) of receipts over disbursements	-	(7,199)	15,819	3,036	1,833	48,632
Cash and investments - ending	\$ 26,047	\$ 38,412	\$ 56,693	\$ 11,441	\$ 9,998	\$ 355,332

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS

COUNCIL MINUTES

Four months of council minutes were not presented for examination. Without the official record of the meetings the intent and actions of the Town Council have not been adequately documented.

Council minutes are deemed a permanent record and should be retained by the unit as a permanent historical record of the Town.

Memoranda (minutes) of the meeting shall include the following items: 1. Date, time and place of the meeting; 2. Members present and absent; 3. The general substance of all matters proposed, discussed or decided; and 4. A record of all votes taken, by individual members if there is a roll call. The memoranda should be available to the public within a reasonable period of time after the meeting [IC 5-14-1.5-4]. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns State of Indiana, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

SALARY ORDINANCE

The 2009 Salary Ordinance was dated and signed February 2009. There was no 2010 Salary Ordinance presented for examination.

Indiana Code 36-5-3-2 states:

"(a) As used in this section "compensation" means the total of all money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid.

(b) The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer, and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees.

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

(d) The legislative body may provide that town officers and employees receive additional compensation for services that:

- (1) are performed for the town;
- (2) are not governmental in nature; and
- (3) are connected with the operation of a municipally owned utility or function. Subject to the approval of the legislative body, the administrative agency operating the utility or function shall fix the amount of the additional compensation, which shall be paid from the revenues of the utility or function."

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

We recommend a salary ordinance for officials and employees for the next succeeding year should be enacted by the town council annually on or before July 1 of each year and made a part of the minutes of the town council. This action is recommended in order for town officials to have such information available prior to making out the annual budget for the next year's cost of operation. (Accounting and Uniform Compliance Guidelines Manual for Cities and Town State of Indiana, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not always maintained and were not all presented for examination. Five payments to hourly employees did not include time records.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

PUBLIC RECORDS RETENTION

The following records were not presented for examination:

- (a) One claim for payroll to an hourly employee
- (b) Two payroll claims for payments to the Clerk-Treasurer
- (c) Eight claims for reimbursement to the Clerk-Treasurer or made out to cash (check was signed by Clerk-Treasurer)
- (d) One claim for reimbursement to an employee
- (e) One claim for transfer from the water utility to the general fund
- (f) 2010 Salary Ordinance
- (g) Council minutes for four months

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for examination 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)

PRE-SIGNING DOCUMENTS

Several claims and payroll claims were in the files signed by the Clerk-Treasurer and by the town council without any notation. This indicates that these forms were signed in advance. When forms are signed in advance, the internal control provided through oversight of the fiscal officer by the town council is non-existent, allowing for expenditures that would not be compliant with the intentions of the council and increasing the potential for misappropriation.

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

RECEIPT DEPOSITS

Two of the checks issued by the State of Indiana for distribution of cigarette tax were not posted or deposited by the Clerk-Treasurer. We recommended that the State of Indiana be contacted requesting that check 11002100 issued June 1, 2009, for \$221.25 and check 101130321 issued December 6, 2010, for \$223.46 be reissued.

One of the checks issued by Fountain County for the distribution of CAGIT and PTR, was not posted or deposited by the Clerk-Treasurer. We recommended that Fountain County be contacted requesting that check 35088 totaling \$1,922.92, (\$1,626.75 CAGIT and \$296.17 PTR) issued June 30, 2010, be reissued.

Indiana Code 5-13-6-1(d) states, in part: "A 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."

OFFICIAL BOND COMPLIANCE

The following official bond was not filed in the Office of the County Recorder:

Debra S. Hall bond for the period November 30, 2009 to November 30, 2010

Also, there was no bond coverage for Debra S. Hall for the period November 30, 2010 to December 31, 2010. Based on documentation on file, Debra S. Hall continued to perform Clerk-Treasurer duties during this time period.

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision who is required by section 18 of this chapter to file an official bond for the faithful performance of duty . . . shall file the bond in the office of the county recorder. . . ."

Indiana Code 5-4-1-18(a) states in part: ". . . . the following city, town, county, or township officers and employees shall file an individual surety bond: . . . (2) Town judges and clerk-treasurers."

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

FEDERAL AGENCIES - COMPLIANCE REQUIREMENTS

Former Clerk-Treasurer Debra S. Hall did not always comply with directives of the Internal Revenue Service by not paying federal employment taxes timely. Also, the Employer's Quarterly Federal Tax Returns were not all filed timely. The following information applies to these failures to comply:

- The third quarter and fourth quarter returns for 2009 and the fourth quarter return for 2010 were not filed timely.
- Payments for the third and fourth quarter returns for 2009 and the second and third quarter returns for 2010 were not paid timely. Also an adjustment to the first quarter return for 2010 resulted in interest charges being assessed.
- The Town received numerous notices related to the failures to comply, assessment of penalties and interest, and notifications concerning application of payments.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

STATE AGENCIES - COMPLIANCE REQUIREMENTS FOR WITHHOLDING TAXES

Former Clerk-Treasurer Debra S. Hall did not comply with directives of the Indiana Department of Revenue by not filing WH-1 withholding tax returns and remittance of withholding tax timely. During 2010, the following monthly withholding tax returns, WH-1s, were not filed timely: February, March, April, July, August, September, October, November and December.

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

STATE AGENCIES - COMPLIANCE REQUIREMENTS FOR SALES TAX

Former Clerk-Treasurer Debra S. Hall did not comply with directives of the Indiana Department of Revenue by failing to remit collected sales taxes and file Sales and Use Tax Returns ST-103 timely. The following months' taxes were not filed timely during 2010: May, July, November and December.

November 2008 sales taxes due by December 30, 2008 were not paid timely. That resulted in penalties and interest being assessed. Debra S. Hall took office December 1, 2008; therefore, these payments were her responsibility.

The accounts payable voucher for the November 2010 obligation had the unspent, uncashed check attached. The taxes had not been remitted.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

STATE AGENCIES - COMPLIANCE REQUIREMENTS FOR UTILITY RECEIPTS TAX

Sheila Young, Clerk-Treasurer from January 1, 2004 to February 28, 2007, did not comply with directives of the Indiana Department of Revenue by not timely filing Utility Receipts Tax returns and by not remitting tax due for the returns due December 31, 2004 and December 31, 2005, resulting in interest being assessed.

The 2008 Indiana Utility Receipts Tax return was completed in 2010 showing a first quarter estimated payment of \$314.38 which was paid timely by the prior Clerk-Treasurer, Carol S. Howard. No estimated payments were made by Carol S. Howard for June 20, 2008 and September 20, 2008. The December 20, 2008 estimated payment was the responsibility of Debra S. Hall, Clerk-Treasurer, effective December 1, 2008. Debra S. Hall made an estimated payment for September 20, 2008, and for December 20, 2008, of \$320.00 each on June 24, 2010.

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

All four 2009 estimated payments in the amount \$300 each were remitted on June 24, 2010. There is no evidence of 2010 estimated payments being remitted. All remittance slips for the Utility Receipts Tax estimated payments for 2010 were completed and still attached to the instructions in the file folder.

The 2009 Indiana Utility Receipts Tax return was completed and in a file folder, but it was not signed and did not appear to have been filed. The failure to file timely and the failure to pay at least 90 percent of the tax due by year end will both likely result in penalties and interest.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***STATE AGENCIES - COMPLIANCE REQUIREMENTS FOR
INDIANA DEPARTMENT OF WORKFORCE DEVELOPMENT***

The Clerk-Treasurer did not comply with directives of the Indiana Department of Workforce Department by not timely filing Form UC-1/5A State Unemployment Quarterly Contribution Reports for 2010.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY AND TOWN ANNUAL REPORT

The Town of Kingman did complete but did not file or advertise a CTAR-1 for the calendar year 2009; therefore, there was no 2009 Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented.

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

Indiana Code 5-3-1-3 provides the Clerk-Treasurer or Controller of each city and town shall have published an annual report of the receipts and expenditures of such city or town within sixty days after the close of each calendar year. The total indebtedness at December 31 of such municipality must also be shown in this published report. The annual report is to be published one time in two newspapers unless there is only one newspaper in the city or town, in which case publication in the one newspaper is sufficient. If no newspaper is published in the city or town then publication in a newspaper published in the county that circulates in the city or town is acceptable.

All second class cities and those cities and towns that prepare a Comprehensive Annual Financial Report (CAFR) will complete form CTAR-2. All the other cities and towns will complete CTAR-1.

Indiana Code 5-3-1-3 only requires Part 1 to be published. In our opinion, this publication will satisfy state statute, Local Governmental Data Base input documents, and Bureau of Census annual reporting requirements. (Accounting and Uniform Compliance Guidelines for Cities and Towns, State of Indiana, Chapter 7)

COMPENSATION

Former Clerk-Treasurer Debra S. Hall received a payment for \$150.00 in 2009 which was not included on the salary ordinance or resolution. This payment was included in the minutes as "time spent cleaning documents from old fire house". The payment was made on September 30, 2009, check number 1306, from the payroll fund. The transfer to the Payroll Fund for this payment was made from the General Fund. There was no claim in the records for this payment. There also were no taxes withheld from this payment to the Clerk-Treasurer.

We requested that Debra S. Hall, former Clerk-Treasurer, reimburse the Town of Kingman \$150.00 for improper and unsupported charges. (See Summary, page 26)

Indiana Code 36-5-3-2 states:

"(a) As used in this section 'compensation' means the total of all money paid to an elected town officer for performing duties as a city officer, regardless of the source of funds from which the money is paid.

(b) The town legislative body shall, by ordinance, fix the annual compensation of its own members, the town clerk-treasurer and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees.

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

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

(d) The legislative body may provide that town officers and employees receive additional compensation for services that:

- (1) are performed for the town;
- (2) are not governmental in nature; and
- (3) are connected with the operation of a municipally owned utility or function. Subject to the approval of the legislative body, the administrative agency operating the utility or function shall fix the amount of the additional compensation, which shall be paid from the revenues of the utility or function."

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

PENALTIES AND INTEREST CHARGES

During the course of the examination the following penalties and interest charges were noted:

Tax Type	Tax Period	Penalty	Interest	Total Assessment	Date Paid	Check Number
Utility Receipts Tax	12-31-04	\$ -	\$ 110.87	\$ 110.87	05-06-09	3974
Utility Receipts Tax	12-31-05	-	71.87	<u>71.87</u>	02-05-09	3936
Total interest and penalty charges requested of Sheila A. Young, former Clerk-Treasurer				<u>\$ 182.74</u>		
Sales Tax	11-30-08	5.00	0.13	\$ 5.13	02-05-09	3936
Payroll Withholding	02-28-10	9.73	0.83	10.56	07-14-10	1371
Payroll Withholding	03-31-10	9.73	0.49	10.22	07-14-10	1372
Payroll Withholding	04-30-10	11.18	0.17	11.35	07-14-10	1370
Payroll Withholding	07-31-10	14.35	3.37	17.72	03-10-11	1447
Federal employment taxes	09-30-09	6.55	1.33	7.88	02-23-11	1444
Federal employment taxes	12-31-09	26.10	4.53	30.63	02-17-11	1443
Federal employment taxes	03-31-10		6.69	6.69	05-11-11	330
Federal employment taxes	09-30-10	202.13	12.10	<u>214.23</u>	02-21-11	1425
Total interest and penalty charges requested of Debra S. Hall, former Clerk- Treasurer				<u>\$ 314.41</u>		

We requested that Sheila A. Young, former Clerk-Treasurer, reimburse the Town of Kingman \$182.74 for interest paid due to late payment/filing of Utility Receipts Tax for 2004 and 2005. (See Summary, page 26)

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

We requested that Debra S. Hall, former Clerk-Treasurer, reimburse the Town of Kingman \$314.41 for penalties and interest paid. (See Summary, page 26)

OTHER CHARGES

During the course of the examination, improper and/or unsupported payments were noted.

The following payments were made to Debra Hall and were not supported by adequately itemized accounts payable vouchers:

<u>Payee</u>	<u>Check Number</u>	<u>Date Paid</u>	<u>Amount</u>
Debra Hall	1957	01-07-09	\$ 69.25
Debra Hall	1964	02-25-09	90.25
Total			<u>\$ 159.50</u>

The following payments were made to Debra Hall. No supporting accounts payable vouchers were presented for examination.

<u>Payee</u>	<u>Check Number</u>	<u>Date Paid</u>	<u>Amount</u>
Debra Hall	1990	03-21-09	\$ 98.10
Debra Hall	2004	04-22-09	95.86
Debra Hall	2015	05-14-09	82.69
Debra Hall	2048	07-20-09	97.33
Debra Hall	2083	09-25-09	105.00
Total			<u>\$ 478.98</u>

The following checks were made out to Cash and there were no supporting accounts payable vouchers presented for examination. The checks were endorsed by Debra Hall.

<u>Payee</u>	<u>Check Number</u>	<u>Date Paid</u>	<u>Amount</u>
CASH	2099	10-28-09	\$ 86.99
CASH	2116	12-05-09	69.00
CASH	2218	06-19-10	90.00
Total			<u>\$ 245.99</u>

TOWN OF KINGMAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

The following checks were made out to Petty Cash and there were no supporting accounts payable vouchers presented for examination. The checks were endorsed by Debra Hall.

<u>Payee</u>	<u>Check Number</u>	<u>Date Paid</u>	<u>Amount</u>
Petty Cash	2169	02-20-10	\$ 92.85
Petty Cash	2509	10-30-10	98.55
Petty Cash	2531	12-09-10	<u>85.98</u>
 Total			 <u>\$ 277.38</u>

We requested that Debra S. Hall, former Clerk-Treasurer, reimburse the Town of Kingman \$1,161.85 for improper and/or unsupported payments. (See Summary, page 26)

OFFICIAL BONDS

Sheila A. Young, former Clerk-Treasurer, had an official bond with Fidelity & Deposit Co. of Maryland, for the period of January 1, 2004 until her successor was duly qualified, in the amount of \$15,000. She also had an official bond with Fidelity & Deposit Co. of Maryland, for the period of January 1, 2005, until her successor was duly qualified, in the amount of \$15,000.

Debra S. Hall, former Clerk-Treasurer, had an official bond with RLI Insurance Company, for the period of November 30, 2008 to November 30, 2009, in the amount of \$15,000. RLI Surety, a division of RLI Insurance Company, issued a continuation certificate for the period November 30, 2009 to November 30, 2010, in the amount of \$15,000. On November 21, 2009, RLI Surety issued a continuation certification for the period November 30, 2009 to November 30, 2010, in the amount of \$30,000.

TOWN OF KINGMAN
EXIT CONFERENCE

The contents of this report were discussed on September 6, 2011, with Abigail Wilson, Clerk-Treasurer, and Thomas D. Hunt, President of the Town Council. The officials concurred with our audit findings.

Former Clerk-Treasurers Debra S. Hall and Sheila A. Young declined to attend.

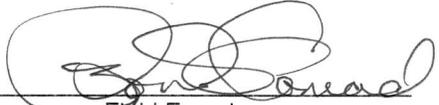
TOWN OF KINGMAN
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Sheila A. Young, former Clerk-Treasurer:			
Penalties and Interest Charges, pages 22 and 23	\$ 182.74	\$ -	\$ 182.74
Debra S. Hall, former Clerk-Treasurer:			
Compensation, pages 21 and 22	150.00	-	150.00
Penalties and Interest Charges, pages 22 and 23	314.41	-	314.41
Other Charges, pages 23 and 24	<u>1,161.85</u>	<u>-</u>	<u>1,161.85</u>
Totals	<u>\$ 1,809.00</u>	<u>\$ -</u>	<u>\$ 1,809.00</u>

AFFIDAVIT

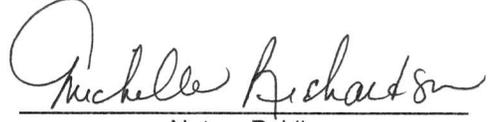
STATE OF INDIANA)
)
Tippecanoe COUNTY)

I, Ronda Conrad, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Clerk-Treasurer, Town of Kingman, Fountain County, Indiana, for the period from January 1, 2009 to December 31, 2010, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 7th day of December, 2011.



Notary Public

My Commission Expires: Sept. 26, 2018

County of Residence: Tippecanoe

