

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

EXAMINATION REPORT
OF
TOWN OF KENNARD
HENRY COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
01/09/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie Snyder Kylie Doubman	01-01-08 to 05-31-10 06-01-10 to 12-31-11
President of the Town Council	John Ryan Beth A. Coy	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 KENNARD, HENRY COUNTY, INDIANA

We have examined the financial statements of the Town of Kennard (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 and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to 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 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

June 15, 2011

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FINANCIAL STATEMENTS

TOWN OF KENNARD
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	\$ 21,159	\$ 74,717	\$ 47,880	\$ 47,996
Motor Vehicle Highway	31,707	16,096	5,869	41,934
Local Road And Street	17,284	2,013	3,203	16,094
Riverboat	16,371	2,847	1,448	17,770
Rainy Day	1,333	-	-	1,333
Cumulative Capl Imprv Cigarette Tax	5,111	1,395	-	6,506
Payroll	-	28,097	28,097	-
Wastewater Utility-Operating	37,670	94,592	60,045	72,217
Wastewater Util-Bond And Interest	34,900	13,000	10,750	37,150
Wastewater Utility-Deprec/Improve	29,853	46,500	61,862	14,491
Ban Opened 11/18/2009 Sewer Project	-	135,010	54,479	80,531
Totals	<u>\$ 195,388</u>	<u>\$ 414,267</u>	<u>\$ 273,633</u>	<u>\$ 336,022</u>

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

TOWN OF KENNARD
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	\$ 47,996	\$ 67,564	\$ 55,069	\$ 60,491
Motor Vehicle Highway	41,934	16,487	7,003	51,418
Local Road And Street	16,094	2,081	2,533	15,642
Riverboat	17,770	2,847	2,610	18,007
Rainy Day	1,333	657	-	1,990
Levy Excess	-	85	-	85
Cumulative Capl Imprv Cigarette Tax	6,506	1,332	-	7,838
Payroll	-	27,580	27,580	-
Wastewater Utility-Operating	72,217	81,727	61,620	92,324
Wastewater Util-Bond And Interest	37,150	12,000	10,400	38,750
Wastewater Utility-Deprec/Improve	14,491	6,000	-	20,491
Ban Opened 11/18/2009 Sewer Project	80,531	58	50,369	30,220
Totals	<u>\$ 336,022</u>	<u>\$ 218,418</u>	<u>\$ 217,184</u>	<u>\$ 337,256</u>

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

TOWN OF KENNARD
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, 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.

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 include 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 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 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 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

TOWN OF KENNARD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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).

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 include 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:

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.

TOWN OF KENNARD
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other services and charges which include, 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 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.

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

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

Transfers out which include 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.

TOWN OF KENNARD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 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/.

TOWN OF KENNARD
 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	Riverboat	Rainy Day	Cumulative Capl Imprv Cigarette Tax
Cash and investments - beginning	\$ 21,159	\$ 31,707	\$ 17,284	\$ 16,371	\$ 1,333	\$ 5,111
Receipts:						
Taxes	45,568	-	-	-	-	-
Intergovernmental	12,559	16,096	2,013	2,847	-	1,395
Charges for services	3,248	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	13,342	-	-	-	-	-
Total receipts	<u>74,717</u>	<u>16,096</u>	<u>2,013</u>	<u>2,847</u>	<u>-</u>	<u>1,395</u>
Disbursements:						
Personal services	15,087	-	-	-	-	-
Supplies	4,051	-	-	-	-	-
Other services and charges	28,742	5,869	3,203	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	1,448	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>47,880</u>	<u>5,869</u>	<u>3,203</u>	<u>1,448</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>26,837</u>	<u>10,227</u>	<u>(1,190)</u>	<u>1,399</u>	<u>-</u>	<u>1,395</u>
Cash and investments - ending	<u>\$ 47,996</u>	<u>\$ 41,934</u>	<u>\$ 16,094</u>	<u>\$ 17,770</u>	<u>\$ 1,333</u>	<u>\$ 6,506</u>

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

	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve	Ban Opened 11/18/2009 Sewer Project	Totals
Cash and investments - beginning	\$ -	\$ 37,670	\$ 34,900	\$ 29,853	\$ -	\$ 195,388
Receipts:						
Taxes	-	-	-	-	-	45,568
Intergovernmental	-	-	-	-	-	34,910
Charges for services	-	-	-	-	-	3,248
Utility fees	-	91,410	-	-	-	91,410
Other receipts	28,097	3,182	13,000	46,500	135,010	239,131
Total receipts	28,097	94,592	13,000	46,500	135,010	414,267
Disbursements:						
Personal services	-	-	-	-	-	15,087
Supplies	-	-	-	-	-	4,051
Other services and charges	-	-	-	-	-	37,814
Debt service - principal and interest	-	-	10,750	-	-	10,750
Capital outlay	-	-	-	462	-	1,910
Utility operating expenses	-	35,806	-	-	-	35,806
Other disbursements	28,097	24,239	-	61,400	54,479	168,215
Total disbursements	28,097	60,045	10,750	61,862	54,479	273,633
Excess (deficiency) of receipts over disbursements	-	34,547	2,250	(15,362)	80,531	140,634
Cash and investments - ending	\$ -	\$ 72,217	\$ 37,150	\$ 14,491	\$ 80,531	\$ 336,022

TOWN OF KENNARD
 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	Riverboat	Rainy Day	Levy Excess	Cumulative Capl Imprv Cigarette Tax
Cash and investments - beginning	\$ 47,996	\$ 41,934	\$ 16,094	\$ 17,770	\$ 1,333	\$ -	\$ 6,506
Receipts:							
Taxes	32,882	-	-	-	-	-	-
Intergovernmental	12,542	16,487	2,081	-	-	85	1,332
Charges for services	5,585	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	16,555	-	-	2,847	657	-	-
Total receipts	<u>67,564</u>	<u>16,487</u>	<u>2,081</u>	<u>2,847</u>	<u>657</u>	<u>85</u>	<u>1,332</u>
Disbursements:							
Personal services	15,522	-	-	-	-	-	-
Supplies	2,095	-	-	-	-	-	-
Other services and charges	37,452	7,003	2,533	2,610	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>55,069</u>	<u>7,003</u>	<u>2,533</u>	<u>2,610</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>12,495</u>	<u>9,484</u>	<u>(452)</u>	<u>237</u>	<u>657</u>	<u>85</u>	<u>1,332</u>
Cash and investments - ending	<u>\$ 60,491</u>	<u>\$ 51,418</u>	<u>\$ 15,642</u>	<u>\$ 18,007</u>	<u>\$ 1,990</u>	<u>\$ 85</u>	<u>\$ 7,838</u>

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

	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Deprec/Improve	Ban Opened 11/18/2009 Sewer Project	Totals
Cash and investments - beginning	\$ -	\$ 72,217	\$ 37,150	\$ 14,491	\$ 80,531	\$ 336,022
Receipts:						
Taxes	-	-	-	-	-	32,882
Intergovernmental	-	-	-	-	-	32,527
Charges for services	-	-	-	-	-	5,585
Utility fees	-	81,252	-	-	-	81,252
Other receipts	27,580	475	12,000	6,000	58	66,172
Total receipts	27,580	81,727	12,000	6,000	58	218,418
Disbursements:						
Personal services	-	-	-	-	-	15,522
Supplies	-	-	-	-	-	2,095
Other services and charges	-	-	-	-	-	49,598
Debt service - principal and interest	-	-	10,400	-	-	10,400
Capital outlay	-	-	-	-	50,247	50,247
Utility operating expenses	-	38,111	-	-	-	38,111
Other disbursements	27,580	23,509	-	-	122	51,211
Total disbursements	27,580	61,620	10,400	-	50,369	217,184
Excess (deficiency) of receipts over disbursements	-	20,107	1,600	6,000	(50,311)	1,234
Cash and investments - ending	\$ -	\$ 92,324	\$ 38,750	\$ 20,491	\$ 30,220	\$ 337,256

TOWN OF KENNARD
 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
Business-type activities:		
Wastewater Utility:		
Revenue bond:		
Establishment of Sewer Works	\$ <u>61,000</u>	\$ <u>10,050</u>

TOWN OF KENNARD
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Reports presented for 2009 and 2010 did not accurately reflect the transactions of the Town. The beginning balance of the Ban Opened 11/18/2009 Sewer Project Fund included a receipt from 2009 causing the beginning balance to be overstated and the receipts to be understated by \$135,000. In 2010 the Riverboat Fund receipts were overstated by \$17,770 and the receipts of the Rainy Day Fund were overstated by \$1,332 causing the ending balances to be respectively overstated.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

OFFICIAL BOND

Kylie Doubman, Clerk-Treasurer, did not have an official bond for 2010.

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. . . ."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

1. One claim could not be located.
2. Claims were not adequately itemized.
3. Sales tax was paid on one claim.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

TOWN OF KENNARD
EXAMINATION RESULTS AND COMMENTS
(Continued)

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

No capital asset records were presented for examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF KENNARD
EXIT CONFERENCE

The contents of this report were discussed on June 15, 2011, with Kylie Doubman, Clerk-Treasurer. The official concurred with our findings.