

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF KIRKLIN  
CLINTON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
04/10/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary King	01-01-08 to 12-31-15
President of the Town Council	Randy Weaver	01-01-10 to 12-31-12
Superintendent of Utilities	Darin Garrett Steve Clossin	01-01-10 to 01-11-11 01-12-11 to 12-31-12



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF KIRKLIN, CLINTON COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Kirklín (Town), for the years ended December 31, 2010 and 2011. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated March 7, 2012, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

STATE BOARD OF ACCOUNTS

March 7, 2012



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

TO: THE OFFICIALS OF THE TOWN OF KIRKLIN, CLINTON COUNTY, INDIANA

We have audited the financial statements of the Town of Kirklín (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

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

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

March 7, 2012

## FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF KIRKLIN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS

For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 11,384	\$ 271,156	\$ 223,472	\$ 59,068
Motor Vehicle Highway	28,938	78,706	33,916	73,728
Local Road & Street	12,476	3,246	1,320	14,402
Youth Council Donation	1,425	200	-	1,625
Garbage Pickup	6,068	31,022	32,158	4,932
Sewer Improvement And Extension	12	596,486	596,489	9
Law Enforcement Continuing Education	1,812	320	196	1,936
State Grant	-	621,486	596,486	25,000
Sewer Construction - Local Match	-	127,794	127,794	-
Park & Recreation	5,245	1,115	422	5,938
Rainy Day	9,210	5,124	-	14,334
Levy Excess Fund	-	365	-	365
Loit Public Safety	-	3,351	-	3,351
Cumulative Capital Improvement	12,065	2,243	-	14,308
Cumulative Capital Development	17,764	36,881	-	54,645
Cedit	27,443	13,412	4,382	36,473
Payroll	240	178,219	178,459	-
Sewage Utility Operating	71,754	173,407	172,914	72,247
Water Utility Operating	18,172	128,807	119,070	27,909
Water Utility Bond & Interest	14,911	14,136	13,714	15,333
Water Utility Meter Deposit	17,861	2,730	1,910	18,681
Totals	<u>\$ 256,780</u>	<u>\$ 2,290,206</u>	<u>\$ 2,102,702</u>	<u>\$ 444,284</u>

TOWN OF KIRKLIN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS

For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 59,068	\$ 235,385	\$ 190,224	\$ 104,229
Motor Vehicle Highway	73,728	31,913	40,305	65,336
Local Road & Street	14,402	3,149	-	17,551
Garbage Pickup	4,932	30,861	32,193	3,600
State Grant	25,000	-	24,000	1,000
Law Enforcement Continuing Education	1,936	250	218	1,968
Park & Recreation	5,938	1,105	-	7,043
Rainy Day	14,334	-	-	14,334
Cedit	36,473	10,841	18,243	29,071
Levy Excess Fund	365	-	365	-
Cumulative Capital Improvement	14,308	2,200	3,200	13,308
Cumulative Capital Development	54,645	11	-	54,656
Loit Public Safety	3,351	4,367	-	7,718
Youth Council Donation	1,625	-	-	1,625
Payroll	-	181,478	175,591	5,887
Sewage Utility Operating	72,247	180,102	171,852	80,497
Sewer Improvement and Extension	9	-	9	-
Water Utility Operating	27,909	134,548	130,984	31,473
Water Utility Meter Deposit	18,681	3,910	2,590	20,001
Water Utility Bond & Interest	15,333	14,136	13,426	16,043
Storm Water Utility	-	5,831	310	5,521
Totals	<u>\$ 444,284</u>	<u>\$ 840,087</u>	<u>\$ 803,510</u>	<u>\$ 480,861</u>

TOWN OF KIRKLIN  
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, trash collection, culture and recreation, public improvements, general administrative services, water, wastewater and stormwater.

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.

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

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

TOWN OF KIRKLIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

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

*E. Disbursements*

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

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

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

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

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

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

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

TOWN OF KIRKLIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

TOWN OF KIRKLIN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

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

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

**Note 6. Pension Plan**

The Town contributes to a pension plan unique to the Town. Information regarding this plan may be obtained from the Town.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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 Reports 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 audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

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

	General Fund	Motor Vehicle Highway	Local Road & Street	Youth Council Donation	Garbage Pickup	Sewer Improvement And Extension	Law Enforcement Continuing Education	State Grant
Cash and investments - beginning	\$ 11,384	\$ 28,938	\$ 12,476	\$ 1,425	\$ 6,068	\$ 12	\$ 1,812	\$ -
Receipts:								
Taxes	191,201	42,929	-	-	-	-	-	-
Licenses and permits	750	-	-	-	-	-	320	-
Intergovernmental	62,242	34,457	3,246	-	-	479,257	-	621,486
Charges for services	450	-	-	-	31,022	-	-	-
Fines and forfeits	500	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	16,013	1,320	-	200	-	117,229	-	-
Total receipts	<u>271,156</u>	<u>78,706</u>	<u>3,246</u>	<u>200</u>	<u>31,022</u>	<u>596,486</u>	<u>320</u>	<u>621,486</u>
Disbursements:								
Personal services	98,006	17,043	-	-	-	-	-	-
Supplies	6,167	-	-	-	-	-	-	-
Other services and charges	81,351	1,873	-	-	32,152	-	196	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	7,948	-	-	-	-	-	-	596,486
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	30,000	15,000	1,320	-	6	596,489	-	-
Total disbursements	<u>223,472</u>	<u>33,916</u>	<u>1,320</u>	<u>-</u>	<u>32,158</u>	<u>596,489</u>	<u>196</u>	<u>596,486</u>
Excess (deficiency) of receipts over disbursements	<u>47,684</u>	<u>44,790</u>	<u>1,926</u>	<u>200</u>	<u>(1,136)</u>	<u>(3)</u>	<u>124</u>	<u>25,000</u>
Cash and investments - ending	<u>\$ 59,068</u>	<u>\$ 73,728</u>	<u>\$ 14,402</u>	<u>\$ 1,625</u>	<u>\$ 4,932</u>	<u>\$ 9</u>	<u>\$ 1,936</u>	<u>\$ 25,000</u>

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

	Sewer Construction - Local Match	Park & Recreation	Rainy Day	Levy Excess Fund	Loit Public Safety	Cumulative Capital Improvement	Cumulative Capital Development
Cash and investments - beginning	\$ -	\$ 5,245	\$ 9,210	\$ -	\$ -	\$ 12,065	\$ 17,764
Receipts:							
Taxes	-	-	-	365	-	-	5,951
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	127,794	-	-	-	3,351	2,243	909
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	1,115	5,124	-	-	-	30,021
Total receipts	<u>127,794</u>	<u>1,115</u>	<u>5,124</u>	<u>365</u>	<u>3,351</u>	<u>2,243</u>	<u>36,881</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	422	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	127,794	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>127,794</u>	<u>422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>693</u>	<u>5,124</u>	<u>365</u>	<u>3,351</u>	<u>2,243</u>	<u>36,881</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 5,938</u>	<u>\$ 14,334</u>	<u>\$ 365</u>	<u>\$ 3,351</u>	<u>\$ 14,308</u>	<u>\$ 54,645</u>

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

	Cedit	Payroll	Sewage Utility Operating	Water Utility Operating	Water Utility Bond & Interest	Water Utility Meter Deposit	Totals
Cash and investments - beginning	\$ 27,443	\$ 240	\$ 71,754	\$ 18,172	\$ 14,911	\$ 17,861	\$ 256,780
Receipts:							
Taxes	-	-	-	-	-	-	240,446
Licenses and permits	-	-	-	-	-	-	1,070
Intergovernmental	13,412	-	-	-	-	-	1,348,397
Charges for services	-	-	-	-	-	-	31,472
Fines and forfeits	-	-	-	-	-	-	500
Utility fees	-	-	172,687	126,292	-	-	298,979
Penalties	-	-	-	200	-	-	200
Other receipts	-	178,219	720	2,315	14,136	2,730	369,142
Total receipts	13,412	178,219	173,407	128,807	14,136	2,730	2,290,206
Disbursements:							
Personal services	-	-	-	-	-	-	115,049
Supplies	-	-	-	-	-	-	6,167
Other services and charges	-	-	-	-	-	-	115,994
Debt service - principal and interest	-	-	-	-	13,714	-	13,714
Capital outlay	4,382	-	-	10,113	-	-	746,723
Utility operating expenses	-	-	148,275	78,197	-	-	226,472
Other disbursements	-	178,459	24,639	30,760	-	1,910	878,583
Total disbursements	4,382	178,459	172,914	119,070	13,714	1,910	2,102,702
Excess (deficiency) of receipts over disbursements	9,030	(240)	493	9,737	422	820	187,504
Cash and investments - ending	\$ 36,473	\$ -	\$ 72,247	\$ 27,909	\$ 15,333	\$ 18,681	\$ 444,284

TOWN OF KIRKLIN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General Fund	Motor Vehicle Highway	Local Road & Street	Garbage Pickup	State Grant	Law Enforcement Continuing Education	Park & Recreation	Rainy Day
Cash and investments - beginning	\$ 59,068	\$ 73,728	\$ 14,402	\$ 4,932	\$ 25,000	\$ 1,936	\$ 5,938	\$ 14,334
Receipts:								
Taxes	153,936	12,235	3,149	-	-	-	-	-
Licenses and permits	1,040	-	-	-	-	250	-	-
Intergovernmental	77,880	19,678	-	-	-	-	-	-
Charges for services	1,089	-	-	30,861	-	-	-	-
Fines and forfeits	150	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	1,290	-	-	-	-	-	1,105	-
Total receipts	<u>235,385</u>	<u>31,913</u>	<u>3,149</u>	<u>30,861</u>	<u>-</u>	<u>250</u>	<u>1,105</u>	<u>-</u>
Disbursements:								
Personal services	87,955	13,994	-	-	-	-	-	-
Supplies	5,588	-	-	-	-	-	-	-
Other services and charges	88,749	26,311	-	32,193	-	218	-	-
Capital outlay	7,907	-	-	-	24,000	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	25	-	-	-	-	-	-	-
Total disbursements	<u>190,224</u>	<u>40,305</u>	<u>-</u>	<u>32,193</u>	<u>24,000</u>	<u>218</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>45,161</u>	<u>(8,392)</u>	<u>3,149</u>	<u>(1,332)</u>	<u>(24,000)</u>	<u>32</u>	<u>1,105</u>	<u>-</u>
Cash and investments - ending	<u>\$ 104,229</u>	<u>\$ 65,336</u>	<u>\$ 17,551</u>	<u>\$ 3,600</u>	<u>\$ 1,000</u>	<u>\$ 1,968</u>	<u>\$ 7,043</u>	<u>\$ 14,334</u>

TOWN OF KIRKLIN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	CEDIT	Levy Excess Fund	Cumulative Capital Improvement	Cumulative Capital Development	Loit Public Safety	Youth Council Donation	Payroll
Cash and investments - beginning	\$ 36,473	\$ 365	\$ 14,308	\$ 54,645	\$ 3,351	\$ 1,625	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	10,841	-	2,200	-	4,367	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	11	-	-	181,478
Total receipts	<u>10,841</u>	<u>-</u>	<u>2,200</u>	<u>11</u>	<u>4,367</u>	<u>-</u>	<u>181,478</u>
Disbursements:							
Personal services	-	-	-	-	-	-	175,591
Supplies	-	-	-	-	-	-	-
Other services and charges	18,243	-	-	-	-	-	-
Capital outlay	-	-	3,200	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	365	-	-	-	-	-
Total disbursements	<u>18,243</u>	<u>365</u>	<u>3,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,591</u>
Excess (deficiency) of receipts over disbursements	<u>(7,402)</u>	<u>(365)</u>	<u>(1,000)</u>	<u>11</u>	<u>4,367</u>	<u>-</u>	<u>5,887</u>
Cash and investments - ending	<u>\$ 29,071</u>	<u>\$ -</u>	<u>\$ 13,308</u>	<u>\$ 54,656</u>	<u>\$ 7,718</u>	<u>\$ 1,625</u>	<u>\$ 5,887</u>

TOWN OF KIRKLIN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Sewage Utility Operating	Sewer Improvement and Extension	Water Utility Operating	Water Utility Meter Deposit	Water Utility Bond & Interest	Storm Water Utility	Totals
Cash and investments - beginning	\$ 72,247	\$ 9	\$ 27,909	\$ 18,681	\$ 15,333	\$ -	\$ 444,284
Receipts:							
Taxes	-	-	-	-	-	-	169,320
Licenses and permits	-	-	-	-	-	-	1,290
Intergovernmental	-	-	-	-	-	-	114,966
Charges for services	-	-	-	-	-	-	31,950
Fines and forfeits	-	-	-	-	-	-	150
Utility fees	179,792	-	111,491	-	-	5,831	297,114
Other receipts	310	-	23,057	3,910	14,136	-	225,297
Total receipts	<u>180,102</u>	<u>-</u>	<u>134,548</u>	<u>3,910</u>	<u>14,136</u>	<u>5,831</u>	<u>840,087</u>
Disbursements:							
Personal services	-	-	-	-	-	-	277,540
Supplies	-	-	-	-	-	-	5,588
Other services and charges	-	-	-	-	-	-	165,714
Capital outlay	-	-	15,286	-	-	-	50,393
Utility operating expenses	148,393	9	100,599	2,590	-	310	251,901
Other disbursements	23,459	-	15,099	-	13,426	-	52,374
Total disbursements	<u>171,852</u>	<u>9</u>	<u>130,984</u>	<u>2,590</u>	<u>13,426</u>	<u>310</u>	<u>803,510</u>
Excess (deficiency) of receipts over disbursements	<u>8,250</u>	<u>(9)</u>	<u>3,564</u>	<u>1,320</u>	<u>710</u>	<u>5,521</u>	<u>36,577</u>
Cash and investments - ending	<u>\$ 80,497</u>	<u>\$ -</u>	<u>\$ 31,473</u>	<u>\$ 20,001</u>	<u>\$ 16,043</u>	<u>\$ 5,521</u>	<u>\$ 480,861</u>

TOWN OF KIRKLIN  
AUDIT RESULT AND COMMENT

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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

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

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

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDIANAPOLIS, INDIANA 46204-2769

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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF KIRKLIN, CLINTON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Kirklín (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended December 31, 2010 and 2011. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2010 and 2011.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

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

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

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

STATE BOARD OF ACCOUNTS

March 7, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

TOWN OF KIRKLIN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Department of Community and Rural Affairs CDBG- State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Sewer Facilities Grant	14.228	CF-09-113	\$ 596,486	\$ 24,000
Total for federal grantor agency			<u>596,486</u>	<u>24,000</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds Wastewater Treatment Improvement Project	66.458	WW090612 01	61,730	47,450
Total for federal grantor agency			<u>61,730</u>	<u>47,450</u>
Total federal awards expended			<u>\$ 658,216</u>	<u>\$ 71,450</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF KIRKLIN  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

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

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

TOWN OF KIRKLIN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statements:

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

Federal Awards:

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

Identification of Major Programs:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_  
CDBG – State-Administered CDBG Cluster

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

TOWN OF KIRKLIN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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 objections, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

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

***Section III – Federal Award Findings and Questioned Costs***

No matters are reportable.

TOWN OF KIRKLIN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

**TOWN OF KIRKLIN, INC.**

113 N. MAIN ST.

P.O. BOX 147

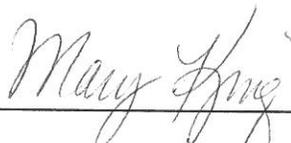
KIRKLIN, INDIANA 46050-0147

PHONE 765-279-8786

CORRECTIVE ACTION PLAN – SECTION II FINANCIAL STATEMENT FINDINGS

The management of the Town of Kirklín has reviewed the Section II – financial statement finding 2011-1, Internal Controls Over Financial Transactions relating to their audit for the period January 1, 2010 to December 31, 2011. We offer the following corrective action:

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



Mary King, Clerk-Treasurer



Randy Weaver, Town Board President

TOWN OF KIRKLIN  
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2012, with Mary King, Clerk-Treasurer, and Randy Weaver, President of the Town Council.