

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF KENDALLVILLE  
NOBLE COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
04/19/2012



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sheryl J. Hanes	01-01-08 to 12-31-15
Mayor	W. Suzanne Handshoe	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	James Dazey	01-01-11 to 12-31-12
President of the Common Council	James Dazey	01-01-11 to 12-31-12
Superintendent of Water Utility	Scott Mosley	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Richard McGee	01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF KENDALLVILLE, NOBLE COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Kendallville (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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 City'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 statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement 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.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated March 22, 2012, on our consideration of the City'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 City's financial statement. 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 statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

This report is intended solely for the information and use of the City's management, Common 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 22, 2012



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF KENDALLVILLE, NOBLE COUNTY, INDIANA

We have audited the financial statement of the City of Kendallville (City), for the year ended December 31, 2011, and have issued our report thereon dated March 22, 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 City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is 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.

This report is intended solely for the information and use of the City's management, Common 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 22, 2012

## FINANCIAL STATEMENT

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

CITY OF KENDALLVILLE  
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	\$ 694,516	\$ 6,441,692	\$ 5,729,604	\$ 1,406,604
Motor Vehicle Highway	223,326	750,353	506,563	467,116
Local Road and Street	65,102	41,266	-	106,368
Law Enforcement Continuing Education	51,487	17,576	16,594	52,469
Rainy Day	386,460	345	54,923	331,882
Levy Excess	149,593	143	11,827	137,909
Economic Improvement District	55,610	20,378	18,840	57,148
Park Nonreverting Capital	89,785	88	-	89,873
Redevelopment Commission TIF Bond Debt Reserve	-	250,000	-	250,000
Redevelopment Commission TIF East Bond	-	322,013	322,013	-
Storm Sewer	21,683	20,278	6,296	35,665
General Improvement	221,415	1,176	6,970	215,621
Cumulative Capital Improvement	114,256	27,734	-	141,990
County Economic Development Income Tax	671	161,933	161,928	676
Police Pension	186,331	130,630	130,690	186,271
Fire Pension	40,833	26,405	26,386	40,852
Payroll YMCA Deduction	-	297	297	-
Payroll Voluntary PERF	-	98	98	-
Economic Development Steering Committee	5,967	2,754	8,375	346
Park And Recreation	97,457	515,295	398,624	214,128
Cemetery	40,395	79,221	63,472	56,144
Cemetery Contingency	12,669	200	6,616	6,253
Airport Operating	11,446	174,382	92,523	93,305
CDBG Miscellaneous Income	409,895	36,901	-	446,796
Hazardous Materials Trailer	16,479	2,057	-	18,536
Police Reserve	7,786	52	3,531	4,307
Police K-9	-	7,501	6,163	1,338
Fourth of July Festival	7,526	1,431	8,000	957
Kid City Project	9,537	9,565	9,204	9,898
City Beautification	5,136	612	140	5,608
Redevelopment Commission TIF Downtown	196,613	82,353	65,365	213,601
Aviation Construction	7,821	8	-	7,829
Cemetery Chapel	1,771	2	-	1,773
Redevelopment Commission TIF East Side	1,203,086	653,537	986,009	870,614
FEMA Grant-Fire Department	11	-	-	11
Employment Security	4,398	1,502	5,361	539
Sports Complex	23,734	89,075	88,604	24,205
Police Public Awareness	288	-	-	288
Rural Firefighting	221,419	36,890	55,336	202,973
Special Arson	26	-	-	26
Special Siren	15,726	3,366	-	19,092
Special Park Beyer	661	1,501	880	1,282
Special Park Wayne	3	-	-	3
Special Park Donations	19,790	10,313	14,296	15,807
Special Park Cole	8,524	8	-	8,532
Special Park Nature Center	1,259	1	392	868
Special Park Programs	3,947	14,883	8,731	10,099
Special Park Festival	61,781	96,769	109,474	49,076
Redevelopment Commission Donation	13,023	13	-	13,036
General Obligation Bond and Interest	2,962	3	-	2,965
Street Lighting	5,633	6	-	5,639

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

CITY OF KENDALLVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011  
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Capital Outlay	50,266	383,475	414,319	19,422
Grant Proceeds	103,745	944,604	944,507	103,842
Cemetery Endowment	103,888	2,024	-	105,912
Payroll Federal Withholdings	-	386,768	386,768	-
Payroll Health Insurance	634,686	530,566	595,019	570,233
Payroll Deferred Compensation	-	29,999	29,999	-
Payroll Vision Insurance	-	6,875	5,717	1,158
Payroll FSA Kiersey	-	1,440	1,440	-
Payroll FSA Derby	-	1,000	1,000	-
Payroll FSA Robinson	-	1,200	1,200	-
Payroll FSA Handshoe	-	1,200	1,200	-
Payroll Standing Chapter	-	13,164	13,164	-
Payroll Allen County Circuit Court	-	14	14	-
Payroll Health Insurance Regulation 125	-	111,896	92,903	18,993
Payroll Indiana Child Support	-	28,162	28,162	-
Payroll Dental	2,299	29,276	29,276	2,299
Payroll Colonial Life Insurance	-	12,218	12,218	-
Payroll Direct Deposit	-	1,789,708	1,789,708	-
Payroll United Way	-	480	424	56
Payroll Noble County Treasurer	-	6,074	6,074	-
Payroll Fire PERF	3,134	10,476	10,789	2,821
Payroll State Tax Withholdings	4	119,403	119,407	-
Payroll Net Wages	-	836,021	836,021	-
Payroll Police PERF	5,149	18,624	18,759	5,014
Payroll Voluntary PERF	836	5,172	4,458	1,550
Payroll FICA/Medicare Withholdings	-	362,315	362,315	-
Payroll County Tax Withholdings	2	47,804	47,806	-
Wastewater Utility Operating	415,648	1,658,659	1,667,875	406,432
Wastewater Utility Bond and Interest	4,460	315,427	315,358	4,529
Wastewater Utility Debt Reserve	301,401	32,159	-	333,560
Wastewater Utility Improvement	-	103,057	103,057	-
Water Utility Operating	698,283	2,054,764	1,924,097	828,950
Water Utility Bond and Interest	121,581	439,717	439,191	122,107
Water Utility Debt Service Reserve	375,220	72,482	-	447,702
Water Utility Improvement	-	130,588	130,588	-
Totals	<u>\$ 7,538,439</u>	<u>\$ 20,519,417</u>	<u>\$ 19,256,958</u>	<u>\$ 8,800,898</u>

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

CITY OF KENDALLVILLE  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

*B. Basis of Accounting*

The financial statement is 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 statement. 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 City.

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.

CITY OF KENDALLVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 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 statement. 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 City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF KENDALLVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*F. Interfund Transfers*

The City 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 City. 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 City. 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 City 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 City 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 City 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.

CITY OF KENDALLVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

State statutes authorize the City 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 City 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 City 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 City by recording as a disbursement and replacement items purchased.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

CITY OF KENDALLVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

*C. 1937 Firefighters' Pension Plan*

*Plan Description*

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

*Funding Policy*

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

*On Behalf Payments*

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

CITY OF KENDALLVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*D. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 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 statement contained in this report and the financial information presented in the Annual Report of the City which is 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 prepared and/or approved by management of the City. It is presented as intended by the City.

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

	General	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Rainy Day	Levy Excess	Economic Improvement District	Park Nonreverting Capital
Cash and investments - beginning	\$ 694,516	\$ 223,326	\$ 65,102	\$ 51,487	\$ 386,460	\$ 149,593	\$ 55,610	\$ 89,785
Receipts:								
Taxes	5,147,715	708,053	41,183	-	-	-	18,326	-
Licenses and permits	7,425	8,212	-	2,150	-	-	-	-
Intergovernmental	1,073,954	26,691	-	-	-	-	-	-
Charges for services	106,321	600	-	14,748	-	-	2,001	-
Fines and forfeits	85,874	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	20,403	6,797	83	678	345	143	51	88
Total receipts	<u>6,441,692</u>	<u>750,353</u>	<u>41,266</u>	<u>17,576</u>	<u>345</u>	<u>143</u>	<u>20,378</u>	<u>88</u>
Disbursements:								
Personal services	2,596,748	292,459	-	-	-	-	-	-
Supplies	131,468	100,959	-	-	-	-	-	-
Other services and charges	971,213	62,308	-	9,966	-	-	18,840	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	79,395	50,837	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	1,950,780	-	-	6,628	54,923	11,827	-	-
Total disbursements	<u>5,729,604</u>	<u>506,563</u>	<u>-</u>	<u>16,594</u>	<u>54,923</u>	<u>11,827</u>	<u>18,840</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>712,088</u>	<u>243,790</u>	<u>41,266</u>	<u>982</u>	<u>(54,578)</u>	<u>(11,684)</u>	<u>1,538</u>	<u>88</u>
Cash and investments - ending	<u>\$ 1,406,604</u>	<u>\$ 467,116</u>	<u>\$ 106,368</u>	<u>\$ 52,469</u>	<u>\$ 331,882</u>	<u>\$ 137,909</u>	<u>\$ 57,148</u>	<u>\$ 89,873</u>

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

	Redevelopment Commission TIF Bond Debt Reserve	Redevelopment Commission TIF East Bond	Storm Sewer	General Improvement	Cumulative Capital Improvement	County Economic Development Income Tax	Police Pension	Fire Pension
Cash and investments - beginning	\$ -	\$ -	\$ 21,683	\$ 221,415	\$ 114,256	\$ 671	\$ 186,331	\$ 40,833
Receipts:								
Taxes	-	-	19,155	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	1,099	-	27,615	161,928	-	-
Charges for services	-	-	-	945	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	250,000	322,013	24	231	119	5	130,630	26,405
Total receipts	250,000	322,013	20,278	1,176	27,734	161,933	130,630	26,405
Disbursements:								
Personal services	-	-	4,095	-	-	-	130,690	26,386
Supplies	-	-	2,201	6,970	-	-	-	-
Other services and charges	-	-	-	-	-	161,928	-	-
Debt service - principal and interest	-	322,013	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	-	322,013	6,296	6,970	-	161,928	130,690	26,386
Excess (deficiency) of receipts over disbursements	250,000	-	13,982	(5,794)	27,734	5	(60)	19
Cash and investments - ending	\$ 250,000	\$ -	\$ 35,665	\$ 215,621	\$ 141,990	\$ 676	\$ 186,271	\$ 40,852

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

	Payroll YMCA Deduction	Payroll Voluntary PERF	Economic Development Steering Committee	Park And Recreation	Cemetery	Cemetery Contingency	Airport Operating	CDBG Miscellaneous Income
Cash and investments - beginning	\$ -	\$ -	\$ 5,967	\$ 97,457	\$ 40,395	\$ 12,669	\$ 11,446	\$ 409,895
Receipts:								
Taxes	-	-	-	328,659	33,269	-	6,049	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	110,729	1,908	-	347	-
Charges for services	-	-	-	69,050	43,789	-	60,244	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	297	98	2,754	6,857	255	200	107,742	36,901
Total receipts	297	98	2,754	515,295	79,221	200	174,382	36,901
Disbursements:								
Personal services	-	-	-	296,682	50,864	-	-	-
Supplies	-	-	-	25,669	2,905	-	5,925	-
Other services and charges	-	-	-	65,398	5,811	-	62,570	-
Debt service - principal and interest	-	-	-	-	-	-	24,028	-
Capital outlay	-	-	-	10,875	3,892	6,616	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	297	98	8,375	-	-	-	-	-
Total disbursements	297	98	8,375	398,624	63,472	6,616	92,523	-
Excess (deficiency) of receipts over disbursements	-	-	(5,621)	116,671	15,749	(6,416)	81,859	36,901
Cash and investments - ending	\$ -	\$ -	\$ 346	\$ 214,128	\$ 56,144	\$ 6,253	\$ 93,305	\$ 446,796

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

	Hazardous Materials Trailer	Police Reserve	Police K-9	Fourth of July Festival	Kid City Project	City Beautification	Redevelopment Commission TIF Downtown
Cash and investments - beginning	\$ 16,479	\$ 7,786	\$ -	\$ 7,526	\$ 9,537	\$ 5,136	\$ 196,613
Receipts:							
Taxes	-	-	-	-	-	-	82,156
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,057	52	7,501	1,431	9,565	612	197
Total receipts	2,057	52	7,501	1,431	9,565	612	82,353
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	275	-	-	-	127	-
Other services and charges	-	-	-	-	4,250	-	26,377
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	3,256	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	6,163	8,000	4,954	13	38,988
Total disbursements	-	3,531	6,163	8,000	9,204	140	65,365
Excess (deficiency) of receipts over disbursements	2,057	(3,479)	1,338	(6,569)	361	472	16,988
Cash and investments - ending	\$ 18,536	\$ 4,307	\$ 1,338	\$ 957	\$ 9,898	\$ 5,608	\$ 213,601

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

	Aviation Construction	Cemetery Chapel	Redevelopment Commission TIF East Side	FEMA Grant-Fire Department	Employment Security	Sports Complex	Police Public Awareness
Cash and investments - beginning	\$ 7,821	\$ 1,771	\$ 1,203,086	\$ 11	\$ 4,398	\$ 23,734	\$ 288
Receipts:							
Taxes	-	-	522,105	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	87,209	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	8	2	131,432	-	1,502	1,866	-
Total receipts	8	2	653,537	-	1,502	89,075	-
Disbursements:							
Personal services	-	-	-	-	-	27,363	-
Supplies	-	-	-	-	-	48,447	-
Other services and charges	-	-	69	-	-	8,494	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	4,300	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	985,940	-	5,361	-	-
Total disbursements	-	-	986,009	-	5,361	88,604	-
Excess (deficiency) of receipts over disbursements	8	2	(332,472)	-	(3,859)	471	-
Cash and investments - ending	\$ 7,829	\$ 1,773	\$ 870,614	\$ 11	\$ 539	\$ 24,205	\$ 288

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

	Rural Firefighting	Special Arson	Special Siren	Special Park Beyer	Special Park Wayne	Special Park Donations	Special Park Cole
Cash and investments - beginning	\$ 221,419	\$ 26	\$ 15,726	\$ 661	\$ 3	\$ 19,790	\$ 8,524
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	35,545	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,345	-	3,366	1,501	-	10,313	8
Total receipts	<u>36,890</u>	<u>-</u>	<u>3,366</u>	<u>1,501</u>	<u>-</u>	<u>10,313</u>	<u>8</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	880	-	14,296	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	55,336	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>55,336</u>	<u>-</u>	<u>-</u>	<u>880</u>	<u>-</u>	<u>14,296</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(18,446)</u>	<u>-</u>	<u>3,366</u>	<u>621</u>	<u>-</u>	<u>(3,983)</u>	<u>8</u>
Cash and investments - ending	<u>\$ 202,973</u>	<u>\$ 26</u>	<u>\$ 19,092</u>	<u>\$ 1,282</u>	<u>\$ 3</u>	<u>\$ 15,807</u>	<u>\$ 8,532</u>

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

	Special Park Nature Center	Special Park Programs	Special Park Festival	Redevelopment Commission Donation	General Obligation Bond and Interest	Street Lighting	Capital Outlay
Cash and investments - beginning	\$ 1,259	\$ 3,947	\$ 61,781	\$ 13,023	\$ 2,962	\$ 5,633	\$ 50,266
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	14,876	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1	7	96,769	13	3	6	383,475
Total receipts	<u>1</u>	<u>14,883</u>	<u>96,769</u>	<u>13</u>	<u>3</u>	<u>6</u>	<u>383,475</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	2,947	-	-	-	-	-
Other services and charges	-	5,731	-	-	-	-	18,390
Debt service - principal and interest	-	-	-	-	-	-	382,366
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	392	53	109,474	-	-	-	13,563
Total disbursements	<u>392</u>	<u>8,731</u>	<u>109,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,319</u>
Excess (deficiency) of receipts over disbursements	<u>(391)</u>	<u>6,152</u>	<u>(12,705)</u>	<u>13</u>	<u>3</u>	<u>6</u>	<u>(30,844)</u>
Cash and investments - ending	<u>\$ 868</u>	<u>\$ 10,099</u>	<u>\$ 49,076</u>	<u>\$ 13,036</u>	<u>\$ 2,965</u>	<u>\$ 5,639</u>	<u>\$ 19,422</u>

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

	Grant Proceeds	Cemetery Endowment	Payroll Federal Withholdings	Payroll Health Insurance	Payroll Deferred Compensation	Payroll Vision Insurance	Payroll FSA Kiersey
Cash and investments - beginning	\$ 103,745	\$ 103,888	\$ -	\$ 634,686	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	944,501	-	-	-	-	-	-
Charges for services	-	1,921	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	103	103	386,768	530,566	29,999	6,875	1,440
Total receipts	<u>944,604</u>	<u>2,024</u>	<u>386,768</u>	<u>530,566</u>	<u>29,999</u>	<u>6,875</u>	<u>1,440</u>
Disbursements:							
Personal services	-	-	386,768	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	234,815	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	944,507	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	360,204	29,999	5,717	1,440
Total disbursements	<u>944,507</u>	<u>-</u>	<u>386,768</u>	<u>595,019</u>	<u>29,999</u>	<u>5,717</u>	<u>1,440</u>
Excess (deficiency) of receipts over disbursements	<u>97</u>	<u>2,024</u>	<u>-</u>	<u>(64,453)</u>	<u>-</u>	<u>1,158</u>	<u>-</u>
Cash and investments - ending	<u>\$ 103,842</u>	<u>\$ 105,912</u>	<u>\$ -</u>	<u>\$ 570,233</u>	<u>\$ -</u>	<u>\$ 1,158</u>	<u>\$ -</u>

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

	Payroll FSA Derby	Payroll FSA Robinson	Payroll FSA Handshoe	Payroll Standing Chapter	Payroll Allen County Circuit Court	Payroll Health Insurance Regulation 125	Payroll Indiana Child Support
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,000	1,200	1,200	13,164	14	111,896	28,162
Total receipts	1,000	1,200	1,200	13,164	14	111,896	28,162
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,000	1,200	1,200	13,164	14	92,903	28,162
Total disbursements	1,000	1,200	1,200	13,164	14	92,903	28,162
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	18,993	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,993	\$ -

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

	Payroll Dental	Payroll Colonial Life Insurance	Payroll Direct Deposit	Payroll United Way	Payroll Noble County Treasurer	Payroll Fire PERF	Payroll State Tax Withholdings
Cash and investments - beginning	\$ 2,299	\$ -	\$ -	\$ -	\$ -	\$ 3,134	\$ 4
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	29,276	12,218	1,789,708	480	6,074	10,476	119,403
Total receipts	29,276	12,218	1,789,708	480	6,074	10,476	119,403
Disbursements:							
Personal services	-	-	-	-	-	10,789	119,407
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	29,276	12,218	1,789,708	424	6,074	-	-
Total disbursements	29,276	12,218	1,789,708	424	6,074	10,789	119,407
Excess (deficiency) of receipts over disbursements	-	-	-	56	-	(313)	(4)
Cash and investments - ending	\$ 2,299	\$ -	\$ -	\$ 56	\$ -	\$ 2,821	\$ -

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

	Payroll Net Wages	Payroll Police PERF	Payroll Voluntary PERF	Payroll FICA/Medicare Withholdings	Payroll County Tax Withholdings	Wastewater Utility Operating	Wastewater Utility Bond and Interest
Cash and investments - beginning	\$ -	\$ 5,149	\$ 836	\$ -	\$ 2	\$ 415,648	\$ 4,460
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,657,728	-
Other receipts	836,021	18,624	5,172	362,315	47,804	931	315,427
Total receipts	<u>836,021</u>	<u>18,624</u>	<u>5,172</u>	<u>362,315</u>	<u>47,804</u>	<u>1,658,659</u>	<u>315,427</u>
Disbursements:							
Personal services	836,021	18,759	4,458	362,315	47,806	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	315,358
Capital outlay	-	-	-	-	-	1,323	-
Utility operating expenses	-	-	-	-	-	1,201,997	-
Other disbursements	-	-	-	-	-	464,555	-
Total disbursements	<u>836,021</u>	<u>18,759</u>	<u>4,458</u>	<u>362,315</u>	<u>47,806</u>	<u>1,667,875</u>	<u>315,358</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(135)</u>	<u>714</u>	<u>-</u>	<u>(2)</u>	<u>(9,216)</u>	<u>69</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 5,014</u>	<u>\$ 1,550</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,432</u>	<u>\$ 4,529</u>

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

	Wastewater Utility Debt Reserve	Wastewater Utility Improvement	Water Utility Operating	Water Utility Bond and Interest	Water Utility Debt Service Reserve	Water Utility Improvement	Totals
Cash and investments - beginning	\$ 301,401	\$ -	\$ 698,283	\$ 121,581	\$ 375,220	\$ -	\$ 7,538,439
Receipts:							
Taxes	-	-	-	-	-	-	6,906,670
Licenses and permits	-	-	-	-	-	-	17,787
Intergovernmental	-	-	-	-	-	-	2,348,772
Charges for services	-	-	-	-	-	-	437,249
Fines and forfeits	-	-	-	-	-	-	85,874
Utility fees	-	-	2,051,669	-	-	-	3,709,397
Other receipts	<u>32,159</u>	<u>103,057</u>	<u>3,095</u>	<u>439,717</u>	<u>72,482</u>	<u>130,588</u>	<u>7,013,668</u>
Total receipts	<u>32,159</u>	<u>103,057</u>	<u>2,054,764</u>	<u>439,717</u>	<u>72,482</u>	<u>130,588</u>	<u>20,519,417</u>
Disbursements:							
Personal services	-	-	-	-	-	-	5,211,610
Supplies	-	-	-	-	-	-	327,893
Other services and charges	-	-	-	-	-	-	1,671,336
Debt service - principal and interest	-	-	-	439,191	-	-	1,482,956
Capital outlay	-	103,057	33,295	-	-	130,588	1,427,277
Utility operating expenses	-	-	1,154,883	-	-	-	2,356,880
Other disbursements	-	-	735,919	-	-	-	6,779,006
Total disbursements	<u>-</u>	<u>103,057</u>	<u>1,924,097</u>	<u>439,191</u>	<u>-</u>	<u>130,588</u>	<u>19,256,958</u>
Excess (deficiency) of receipts over disbursements	<u>32,159</u>	<u>-</u>	<u>130,667</u>	<u>526</u>	<u>72,482</u>	<u>-</u>	<u>1,262,459</u>
Cash and investments - ending	<u>\$ 333,560</u>	<u>\$ -</u>	<u>\$ 828,950</u>	<u>\$ 122,107</u>	<u>\$ 447,702</u>	<u>\$ -</u>	<u>\$ 8,800,898</u>

CITY OF KENDALLVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 17,550,917
Infrastructure	14,356,128
Buildings	3,722,849
Improvements other than buildings	13,303,288
Machinery and equipment	6,580,485
Construction in progress	<u>1,216,267</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 56,729,934</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 33,480
Buildings	461,913
Improvements other than buildings	15,635,473
Machinery and equipment	<u>1,409,338</u>
 Total Water Utility capital assets	 <u>17,540,204</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	1,435,723
Buildings	432,091
Improvements other than buildings	17,297,844
Machinery and equipment	<u>511,961</u>
 Total Wastewater Utility capital assets	 <u>19,677,619</u>
 Total business-type activities, capital assets not being depreciated	 <u>\$ 37,217,823</u>

CITY OF KENDALLVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2011

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund/ Department
Notes and loans payable:			
2011 Airport improvement loan	\$ 194,283	\$ 23,212	Aviation
2011 KLDC loan	542,812	542,812	Redevelopment commission TIF east bond
2011 KLDC loan	721,109	238,947	Redevelopment commission TIF east bond
2011 Police car loan	28,932	14,899	General
Bonds payable:			
Revenue bonds:			
Redevelopment commission revenue bonds	1,980,000	321,250	Redevelopment commission TIF east bond
2007 Water improvement revenue bonds	5,130,000	440,473	Water bond and interest
2006 Wastewater improvement revenue bonds	<u>3,310,000</u>	<u>313,270</u>	Water bond and interest
<b>Total debt</b>	<b><u>\$ 11,907,136</u></b>	<b><u>\$ 1,894,863</u></b>	

CITY OF KENDALLVILLE  
AUDIT RESULT AND COMMENT

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Rural Firefighting	2011	<u>\$ 30,336</u>

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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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 CITY OF KENDALLVILLE, NOBLE COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Kendallville (City) 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 year ended December 31, 2011. The City'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 City's management. Our responsibility is to express an opinion on the City'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 City'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 City's compliance with those requirements.

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

Internal Control Over Compliance

Management of the City 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 City'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 City'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 City's management, Common 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 22, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF KENDALLVILLE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 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
<u>U.S. DEPARTMENT OF COMMERCE</u>			
Direct grant			
Economic Development Cluster			
ARRA - Investments for Public Works and Economic Development Facilities, Recovery Act	11.300	06-01-05317	\$ <u>896,312</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Noble County			
Drug Court Discretionary Grant Program	16.585	2010 DC-BX-0072	<u>1,744</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Noble County			
Highway Safety Cluster			
Alcohol Impaired Driving Countermeasures Incentive Grants I Operation Pull Over Blitz Grant	20.601		<u>8,474</u>
Direct grant			
Airport Improvement Program	20.106	Project 17	<u>46,869</u>
Total for federal grantor agency			<u>55,343</u>
Total federal awards expended			<u>\$ 953,399</u>

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

CITY OF KENDALLVILLE  
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 City of Kendallville (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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.

CITY OF KENDALLVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Economic Development 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**

No matters are reportable.

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

No matters are reportable.

CITY OF KENDALLVILLE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF KENDALLVILLE  
EXIT CONFERENCE

The contents of this report were discussed on March 22, 2012, with Sheryl J. Hanes, Clerk-Treasurer. The official concurred with our audit findings.