

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF KEMPTON

TIPTON COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
12/02/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rebecca Sherrill	04-08-08 to 12-31-15
President of the Town Council	Tina Winn Alice Book	01-01-11 to 12-31-11 01-01-12 to 12-31-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the Town of Kempton (Town), for the period of January 1, 2011 to December 31, 2012. The financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 17, 2013

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FINANCIAL STATEMENT

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

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TOWN OF KEMPTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 30,554	\$ 89,797	\$ 99,325	\$ 21,026	\$ 101,070	\$ 97,164	\$ 24,932
Motor Vehicle Highway	22,311	24,247	18,673	27,885	25,460	15,921	37,424
Local Road And Street	6,252	1,772	171	7,853	2,104	-	9,957
Law Enforcement Continuing Ed	450	78	145	383	70	263	190
Riverboat	10,644	2,378	-	13,022	1,985	-	15,007
Rainy Day	4,026	-	-	4,026	-	-	4,026
Cumulative Fire	2,197	929	-	3,126	895	-	4,021
Cumulative Capital Improvement	4,576	1,091	-	5,667	888	-	6,555
Cedit Capital Projects	8,729	7,335	918	15,146	9,019	8,819	15,346
Grant Fund	-	18,580	18,580	-	55,600	55,600	-
Donations	391	-	62	329	-	135	194
Park Donation	2,120	130	-	2,250	3,453	1,808	3,895
Park And Recreation Improvements	13	-	-	13	-	-	13
Library Donation	193	27	175	45	350	105	290
Community Center/Fundraiser	4,460	3,111	5,320	2,251	3,518	1,516	4,253
Police	-	-	-	-	980	66	914
Totals	<u>\$ 96,916</u>	<u>\$ 149,475</u>	<u>\$ 143,369</u>	<u>\$ 103,022</u>	<u>\$ 205,392</u>	<u>\$ 181,397</u>	<u>\$ 127,017</u>

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

TOWN OF KEMPTON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 include 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

TOWN OF KEMPTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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 include 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.

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

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.

TOWN OF KEMPTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TOWN OF KEMPTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Rainy Day	Cumulative Fire	Cumulative Capital Improvement
Cash and investments - beginning	\$ 30,554	\$ 22,311	\$ 6,252	\$ 450	\$ 10,644	\$ 4,026	\$ 2,197	\$ 4,576
Receipts:								
Taxes	44,162	11,938	-	-	-	-	779	-
Licenses and permits	5	-	-	70	-	-	-	-
Intergovernmental	36,327	12,309	1,772	-	2,378	-	150	1,091
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	8	-	-	-	-
Other receipts	9,303	-	-	-	-	-	-	-
Total receipts	<u>89,797</u>	<u>24,247</u>	<u>1,772</u>	<u>78</u>	<u>2,378</u>	<u>-</u>	<u>929</u>	<u>1,091</u>
Disbursements:								
Personal services	38,319	-	-	-	-	-	-	-
Supplies	3,422	1,810	171	-	-	-	-	-
Other services and charges	57,584	7,663	-	145	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Other disbursements	-	9,200	-	-	-	-	-	-
Total disbursements	<u>99,325</u>	<u>18,673</u>	<u>171</u>	<u>145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(9,528)</u>	<u>5,574</u>	<u>1,601</u>	<u>(67)</u>	<u>2,378</u>	<u>-</u>	<u>929</u>	<u>1,091</u>
Cash and investments - ending	<u>\$ 21,026</u>	<u>\$ 27,885</u>	<u>\$ 7,853</u>	<u>\$ 383</u>	<u>\$ 13,022</u>	<u>\$ 4,026</u>	<u>\$ 3,126</u>	<u>\$ 5,667</u>

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

	Cedit Capital Projects	Grant Fund	Donations	Park Donation	Park And Recreation Improvements	Library Donation	Community Center/Fundraiser	Totals
Cash and investments - beginning	\$ 8,729	\$ -	\$ 391	\$ 2,120	\$ 13	\$ 193	\$ 4,460	\$ 96,916
Receipts:								
Taxes	-	-	-	-	-	-	-	56,879
Licenses and permits	-	-	-	-	-	-	-	75
Intergovernmental	7,335	-	-	-	-	-	-	61,362
Charges for services	-	18,580	-	-	-	-	-	18,580
Fines and forfeits	-	-	-	-	-	-	-	8
Other receipts	-	-	-	130	-	27	3,111	12,571
Total receipts	<u>7,335</u>	<u>18,580</u>	<u>-</u>	<u>130</u>	<u>-</u>	<u>27</u>	<u>3,111</u>	<u>149,475</u>
Disbursements:								
Personal services	-	-	62	-	-	-	-	38,381
Supplies	-	-	-	-	-	175	1,096	6,674
Other services and charges	600	18,580	-	-	-	-	4,224	88,796
Capital outlay	318	-	-	-	-	-	-	318
Other disbursements	-	-	-	-	-	-	-	9,200
Total disbursements	<u>918</u>	<u>18,580</u>	<u>62</u>	<u>-</u>	<u>-</u>	<u>175</u>	<u>5,320</u>	<u>143,369</u>
Excess (deficiency) of receipts over disbursements	<u>6,417</u>	<u>-</u>	<u>(62)</u>	<u>130</u>	<u>-</u>	<u>(148)</u>	<u>(2,209)</u>	<u>6,106</u>
Cash and investments - ending	<u>\$ 15,146</u>	<u>\$ -</u>	<u>\$ 329</u>	<u>\$ 2,250</u>	<u>\$ 13</u>	<u>\$ 45</u>	<u>\$ 2,251</u>	<u>\$ 103,022</u>

TOWN OF KEMPTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Rainy Day	Cumulative Fire	Cumulative Capital Improvement	Cedit Capital Projects
Cash and investments - beginning	\$ 21,026	\$ 27,885	\$ 7,853	\$ 383	\$ 13,022	\$ 4,026	\$ 3,126	\$ 5,667	\$ 15,146
Receipts:									
Taxes	61,863	13,947	-	-	-	-	895	-	-
Licenses and permits	-	-	-	70	-	-	-	-	-
Intergovernmental	31,103	11,513	2,104	-	1,985	-	-	888	9,019
Fines and forfeits	4	-	-	-	-	-	-	-	-
Other receipts	8,100	-	-	-	-	-	-	-	-
Total receipts	<u>101,070</u>	<u>25,460</u>	<u>2,104</u>	<u>70</u>	<u>1,985</u>	<u>-</u>	<u>895</u>	<u>888</u>	<u>9,019</u>
Disbursements:									
Personal services	40,494	-	-	-	-	-	-	-	-
Supplies	12,501	390	-	213	-	-	-	-	-
Other services and charges	44,169	7,531	-	50	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	5,969
Other disbursements	-	8,000	-	-	-	-	-	-	2,850
Total disbursements	<u>97,164</u>	<u>15,921</u>	<u>-</u>	<u>263</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,819</u>
Excess (deficiency) of receipts over disbursements	<u>3,906</u>	<u>9,539</u>	<u>2,104</u>	<u>(193)</u>	<u>1,985</u>	<u>-</u>	<u>895</u>	<u>888</u>	<u>200</u>
Cash and investments - ending	<u>\$ 24,932</u>	<u>\$ 37,424</u>	<u>\$ 9,957</u>	<u>\$ 190</u>	<u>\$ 15,007</u>	<u>\$ 4,026</u>	<u>\$ 4,021</u>	<u>\$ 6,555</u>	<u>\$ 15,346</u>

TOWN OF KEMPTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Grant Fund	Donations	Park Donation	Park And Recreation Improvements	Library Donation	Community Center/Fundraiser	Police	Totals
Cash and investments - beginning	\$ -	\$ 329	\$ 2,250	\$ 13	\$ 45	\$ 2,251	\$ -	\$ 103,022
Receipts:								
Taxes	-	-	-	-	-	-	-	76,705
Licenses and permits	-	-	-	-	-	-	-	70
Intergovernmental	-	-	-	-	-	-	-	56,612
Fines and forfeits	-	-	-	-	-	-	-	4
Other receipts	55,600	-	3,453	-	350	3,518	980	72,001
Total receipts	55,600	-	3,453	-	350	3,518	980	205,392
Disbursements:								
Personal services	-	-	-	-	-	-	-	40,494
Supplies	-	-	1,808	-	105	-	-	15,017
Other services and charges	55,600	-	-	-	-	1,516	-	108,866
Capital outlay	-	-	-	-	-	-	-	5,969
Other disbursements	-	135	-	-	-	-	66	11,051
Total disbursements	55,600	135	1,808	-	105	1,516	66	181,397
Excess (deficiency) of receipts over disbursements	-	(135)	1,645	-	245	2,002	914	23,995
Cash and investments - ending	\$ -	\$ 194	\$ 3,895	\$ 13	\$ 290	\$ 4,253	\$ 914	\$ 127,017

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TOWN OF KEMPTON
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 154,700
Buildings	428,800
Machinery, equipment, and vehicles	26,908
Books and other	1,000
Total governmental activities	611,408
Total capital assets	\$ 611,408

TOWN OF KEMPTON
EXAMINATION RESULT AND COMMENT

DEPOSITS

Receipts were deposited later than the next business day in 10 percent of receipts tested.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

TOWN OF KEMPTON
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2013, with Rebecca Sherrill, Clerk-Treasurer, and Alice Book, President of the Town Council. The officials concurred with our finding.