

**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, 2013 to December 31, 2013



**FILED**  
09/05/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sheryl J. Hanes	01-01-12 to 12-31-15
Mayor	W. Suzanne Handshoe	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	James Dazey	01-01-13 to 12-31-14
President Pro Tempore of the Common Council	April Waters James Dazey	01-01-13 to 12-31-13 01-01-14 to 12-31-14



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the City of Kendallville (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statement, the City 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 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2013.

***Opinion on Regulatory Basis of Accounting***

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, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated August 5, 2014, 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* in considering the City's internal control over financial reporting and compliance.


***Accompanying Information***

*Supplementary Information*

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 Payables and Receivables, Schedule of Leases and Debt, 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

August 5, 2014



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S 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, 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, the financial statement of the City of Kendallville (City), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated August 5, 2014, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 statement 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 items 2013-001 and 2013-002 to be material weaknesses.



INDEPENDENT AUDITOR'S 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002.

***City of Kendallville's Response to Findings***

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

August 5, 2014

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 1,932,663	\$ 4,592,902	\$ 4,291,306	\$ 2,234,259
Motor Vehicle Highway	586,271	862,970	655,438	793,803
Local Road And Street	107,936	42,531	41,926	108,541
Law Enforcement Continuing Ed	51,320	19,014	19,709	50,625
Rainy Day	332,247	411	-	332,658
Levy Excess	138,060	66	138,126	-
Economic Improvement	60,699	20,466	16,641	64,524
Park Nonreverting Capital	89,972	111	-	90,083
RDC TIF Bond Debt Reserve	250,000	-	-	250,000
RDC TIF East Bond	158,906	319,000	319,827	158,079
Storm Sewer	37,276	21,195	9,971	48,500
General Improvement	217,472	3,247	3,000	217,719
Cumulative Capital Improvement	168,310	26,692	-	195,002
CEDIT	683	392,129	392,127	685
Police Pension	191,190	141,815	131,949	201,056
Fire Pension	39,867	29,528	27,882	41,513
Payroll YMCA Deduction	-	5,480	5,480	-
Kendallville Anniversary	1,585	13,820	11,245	4,160
Payroll FSA-Short	80	-	-	80
Noble County Clerk	-	167	-	167
US Department Of Treasury	-	342	342	-
EDAC	475	8,701	8,375	801
Park And Recreation	299,732	539,105	508,611	330,226
Cemetery	63,911	70,488	73,793	60,606
Cemetery Contingency	7,461	9	3,845	3,625
Airport Operating	134,651	103,872	100,090	138,433
CDBG Miscellaneous Income	424,904	34,930	-	459,834
HMS & E	31,409	556	7,039	24,926
KCPRF	2,890	2	365	2,527
K-9	779	1	-	780
4th Of July Festival	3,919	2,646	3,000	3,565
Kid City Project	3,338	7,955	8,128	3,165
City Beautification	5,507	6	212	5,301
RDC TIF Downtown	242,624	110,115	50,912	301,827
Aviation In Progress	7,837	10	-	7,847
Cemetery Chapel	1,775	2	-	1,777
RDC TIF Eastside	746,847	182,908	2,575	927,180
FEMA Grant-Fire Dept	11	-	-	11
Employment Security	539	1	-	540
Sports Complex	28,894	113,352	104,682	37,564
Police Public Awareness	289	23	-	312
Rural Firefighting	232,643	61,938	204,800	89,781
Special Arson	26	-	-	26
Special Siren	21,969	5,140	-	27,109
Sp Beyer	4,517	3,003	7,180	340
Sp Wayne	3	-	-	3
Sp Donations	18,715	15,906	15,741	18,880
Sp Cole	8,259	8	2,768	5,499

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, 2013  
(Continued)

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
Sp Nature Center	869	451	63	1,257
Sp Programs	18,180	31,022	19,604	29,598
Sp Festival	48,414	83,970	89,131	43,253
RDC Donations	13,050	16	-	13,066
G.O. Bond & Interest	2,968	4	-	2,972
Street Light Funding Project	5,645	7	-	5,652
General Petty Cash	100	-	-	100
Park Petty Cash	175	-	-	175
Capital Outlay	17,965	392,143	383,472	26,636
Grants Federal And State	119,571	1,511,910	1,430,095	201,386
Cemetery Endowment	108,032	2,370	-	110,402
Payroll Withholding-Federal	-	413,699	413,699	-
Health Insurance	609,362	524,903	594,591	539,674
Payroll Deferred Comp	-	40,082	40,082	-
Payroll Vision Insurance	1,170	6,918	6,918	1,170
Payroll FSA Kiersey	-	2,000	2,000	-
Payroll FSA Derby	-	1,200	1,200	-
Payroll FSA Robinson	-	800	783	17
Payroll FSA Handshoe	-	600	600	-
Payroll Standing Chapter	-	15,968	15,968	-
Payroll Hlth Ins Reg 125	19,059	113,549	113,549	19,059
Indiana Child Support	-	16,334	16,334	-
Dental-Payroll	-	33,081	33,081	-
Payroll Colonial Life Ins	924	13,944	14,868	-
Direct Deposit Payroll	-	2,026,867	2,026,867	-
United Way-Payroll	56	408	357	107
Noble County Treasurer-Payroll	40	-	-	40
Payroll Fire PERF	2,930	11,922	14,759	93
Payroll State Tax Withholding	-	129,155	129,155	-
Net Wages Payroll	-	818,948	818,948	-
Police PERF-Payroll	4,836	19,918	24,754	-
PERF Voluntary-Payroll	1,843	7,041	8,884	-
Payroll Withholding FICA/Medicare Tax	-	455,861	455,706	155
County Tax Payroll	-	52,060	52,060	-
Wastewater Utility Improvement Bond	-	833,042	833,042	-
Wastewater Utility Improvement	44,120	226,733	270,853	-
Wastewater Utility-Operating	442,874	1,962,697	1,541,987	863,584
Wastewater Utility-Bond And Interest	4,607	316,049	315,950	4,706
Wastewater Utility-Debt Reserve	333,927	413	-	334,340
Water Utility-Operating	1,077,643	2,087,979	1,921,734	1,243,888
Water Utility-Bond And Interest	85,989	478,582	441,379	123,192
Water Utility-Debt Reserve	466,224	589	-	466,813
Water Utility Improvement	-	146,896	146,896	-
Water Utility - Petty Cash	100	-	-	100
Totals	<u>\$ 10,089,134</u>	<u>\$ 20,532,694</u>	<u>\$ 19,346,454</u>	<u>\$ 11,275,374</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, storm water, trash, aviation, and urban redevelopment and housing.

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

*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 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, 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 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.

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

**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 Capitol 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 Indiana Public Retirement System 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 Indiana Public Retirement System 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 Capitol 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.

**Note 7. Other Postemployment Benefits**

The City, during 2010 only, offered postemployment health insurance benefits to employees eligible to retire. Two employees accepted this offer. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

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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 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, 2013

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Rainy Day	Levy Excess	Economic Improvement
Cash and investments - beginning	\$ 1,932,663	\$ 586,271	\$ 107,936	\$ 51,320	\$ 332,247	\$ 138,060	\$ 60,699
Receipts:							
Taxes	2,706,214	475,885	-	-	-	-	20,392
Licenses and permits	55,270	-	-	6,260	-	-	-
Intergovernmental	1,495,605	361,855	-	-	-	-	-
Charges for services	100,932	-	42,378	12,617	-	-	-
Fines and forfeits	4,106	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	230,775	25,230	153	137	411	66	74
Total receipts	<u>4,592,902</u>	<u>862,970</u>	<u>42,531</u>	<u>19,014</u>	<u>411</u>	<u>66</u>	<u>20,466</u>
Disbursements:							
Personal services	2,971,042	308,683	-	-	-	-	-
Supplies	142,033	110,507	-	-	-	-	-
Other services and charges	817,533	233,748	41,926	19,709	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	175,180	2,500	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	185,518	-	-	-	-	138,126	16,641
Total disbursements	<u>4,291,306</u>	<u>655,438</u>	<u>41,926</u>	<u>19,709</u>	<u>-</u>	<u>138,126</u>	<u>16,641</u>
Excess (deficiency) of receipts over disbursements	<u>301,596</u>	<u>207,532</u>	<u>605</u>	<u>(695)</u>	<u>411</u>	<u>(138,060)</u>	<u>3,825</u>
Cash and investments - ending	<u>\$ 2,234,259</u>	<u>\$ 793,803</u>	<u>\$ 108,541</u>	<u>\$ 50,625</u>	<u>\$ 332,658</u>	<u>\$ -</u>	<u>\$ 64,524</u>

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Park Nonreverting Capital	RDC TIF Bond Debt Reserve	RDC TIF East Bond	Storm Sewer	General Improvement	Cumulative Capital Improvement	CEDIT
Cash and investments - beginning	\$ 89,972	\$ 250,000	\$ 158,906	\$ 37,276	\$ 217,472	\$ 168,310	\$ 683
Receipts:							
Taxes	-	-	-	19,250	-	26,475	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	1,164	-	-	392,127
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	111	-	319,000	781	3,247	217	2
Total receipts	<u>111</u>	<u>-</u>	<u>319,000</u>	<u>21,195</u>	<u>3,247</u>	<u>26,692</u>	<u>392,129</u>
Disbursements:							
Personal services	-	-	-	1,561	-	-	-
Supplies	-	-	-	45	-	-	-
Other services and charges	-	-	-	8,365	-	-	-
Debt service - principal and interest	-	-	319,827	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	3,000	-	392,127
Total disbursements	<u>-</u>	<u>-</u>	<u>319,827</u>	<u>9,971</u>	<u>3,000</u>	<u>-</u>	<u>392,127</u>
Excess (deficiency) of receipts over disbursements	<u>111</u>	<u>-</u>	<u>(827)</u>	<u>11,224</u>	<u>247</u>	<u>26,692</u>	<u>2</u>
Cash and investments - ending	<u>\$ 90,083</u>	<u>\$ 250,000</u>	<u>\$ 158,079</u>	<u>\$ 48,500</u>	<u>\$ 217,719</u>	<u>\$ 195,002</u>	<u>\$ 685</u>

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Police Pension	Fire Pension	Payroll YMCA Deduction	Kendallville Anniversary	Payroll FSA-Short	Noble County Clerk	US Department Of Treasury
Cash and investments - beginning	\$ 191,190	\$ 39,867	\$ -	\$ 1,585	\$ 80	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	141,815	29,528	5,480	13,820	-	167	342
Total receipts	<u>141,815</u>	<u>29,528</u>	<u>5,480</u>	<u>13,820</u>	<u>-</u>	<u>167</u>	<u>342</u>
Disbursements:							
Personal services	131,949	27,882	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	5,480	11,245	-	-	342
Total disbursements	<u>131,949</u>	<u>27,882</u>	<u>5,480</u>	<u>11,245</u>	<u>-</u>	<u>-</u>	<u>342</u>
Excess (deficiency) of receipts over disbursements	<u>9,866</u>	<u>1,646</u>	<u>-</u>	<u>2,575</u>	<u>-</u>	<u>167</u>	<u>-</u>
Cash and investments - ending	<u>\$ 201,056</u>	<u>\$ 41,513</u>	<u>\$ -</u>	<u>\$ 4,160</u>	<u>\$ 80</u>	<u>\$ 167</u>	<u>\$ -</u>



CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	EDAC	Park And Recreation	Cemetery	Cemetery Contingency	Airport Operating	CDBG Miscellaneous Income	HMS & E
Cash and investments - beginning	\$ 475	\$ 299,732	\$ 63,911	\$ 7,461	\$ 134,651	\$ 424,904	\$ 31,409
Receipts:							
Taxes	-	313,996	17,672	-	44,811	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	129,904	1,508	-	2,709	-	-
Charges for services	-	82,846	49,615	-	54,491	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	8,701	12,359	1,693	9	1,861	34,930	556
Total receipts	<u>8,701</u>	<u>539,105</u>	<u>70,488</u>	<u>9</u>	<u>103,872</u>	<u>34,930</u>	<u>556</u>
Disbursements:							
Personal services	-	345,771	63,432	-	-	-	-
Supplies	-	33,103	1,944	-	4,474	-	-
Other services and charges	-	87,928	5,085	-	71,914	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	33,252	3,332	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,375	8,557	-	3,845	23,702	-	7,039
Total disbursements	<u>8,375</u>	<u>508,611</u>	<u>73,793</u>	<u>3,845</u>	<u>100,090</u>	<u>-</u>	<u>7,039</u>
Excess (deficiency) of receipts over disbursements	<u>326</u>	<u>30,494</u>	<u>(3,305)</u>	<u>(3,836)</u>	<u>3,782</u>	<u>34,930</u>	<u>(6,483)</u>
Cash and investments - ending	<u>\$ 801</u>	<u>\$ 330,226</u>	<u>\$ 60,606</u>	<u>\$ 3,625</u>	<u>\$ 138,433</u>	<u>\$ 459,834</u>	<u>\$ 24,926</u>

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	KCPRF	K-9	4th Of July Festival	Kid City Project	City Beautification	RDC TIF Downtown	Aviation In Progress
Cash and investments - beginning	\$ 2,890	\$ 779	\$ 3,919	\$ 3,338	\$ 5,507	\$ 242,624	\$ 7,837
Receipts:							
Taxes	-	-	-	-	-	109,793	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2	1	2,646	7,955	6	322	10
Total receipts	2	1	2,646	7,955	6	110,115	10
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	150	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	215	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	3,000	8,128	212	50,912	-
Total disbursements	365	-	3,000	8,128	212	50,912	-
Excess (deficiency) of receipts over disbursements	(363)	1	(354)	(173)	(206)	59,203	10
Cash and investments - ending	\$ 2,527	\$ 780	\$ 3,565	\$ 3,165	\$ 5,301	\$ 301,827	\$ 7,847

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Cemetery Chapel	RDC TIF Eastside	FEMA Grant-Fire Dept	Employment Security	Sports Complex	Police Public Awareness	Rural Firefighting
Cash and investments - beginning	\$ 1,775	\$ 746,847	\$ 11	\$ 539	\$ 28,894	\$ 289	\$ 232,643
Receipts:							
Taxes	-	154,387	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	77,190	-	50,275
Fines and forfeits	-	-	-	-	26,841	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2	28,521	-	1	9,321	23	11,663
Total receipts	<u>2</u>	<u>182,908</u>	<u>-</u>	<u>1</u>	<u>113,352</u>	<u>23</u>	<u>61,938</u>
Disbursements:							
Personal services	-	-	-	-	33,651	-	-
Supplies	-	-	-	-	49,418	-	-
Other services and charges	-	-	-	-	19,056	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	2,557	-	204,800
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	2,575	-	-	-	-	-
Total disbursements	<u>-</u>	<u>2,575</u>	<u>-</u>	<u>-</u>	<u>104,682</u>	<u>-</u>	<u>204,800</u>
Excess (deficiency) of receipts over disbursements	<u>2</u>	<u>180,333</u>	<u>-</u>	<u>1</u>	<u>8,670</u>	<u>23</u>	<u>(142,862)</u>
Cash and investments - ending	<u>\$ 1,777</u>	<u>\$ 927,180</u>	<u>\$ 11</u>	<u>\$ 540</u>	<u>\$ 37,564</u>	<u>\$ 312</u>	<u>\$ 89,781</u>

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Special Arson	Special Siren	Sp Beyer	Sp Wayne	Sp Donations	Sp Cole	Sp Nature Center
Cash and investments - beginning	\$ 26	\$ 21,969	\$ 4,517	\$ 3	\$ 18,715	\$ 8,259	\$ 869
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	5,140	3,003	-	15,906	8	451
Total receipts	-	5,140	3,003	-	15,906	8	451
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	7,180	-	15,741	2,768	63
Total disbursements	-	-	7,180	-	15,741	2,768	63
Excess (deficiency) of receipts over disbursements	-	5,140	(4,177)	-	165	(2,760)	388
Cash and investments - ending	\$ 26	\$ 27,109	\$ 340	\$ 3	\$ 18,880	\$ 5,499	\$ 1,257

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Sp Programs	Sp Festival	RDC Donations	G.O. Bond & Interest	Street Light Funding Project	General Petty Cash	Park Petty Cash
Cash and investments - beginning	\$ 18,180	\$ 48,414	\$ 13,050	\$ 2,968	\$ 5,645	\$ 100	\$ 175
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	31,022	83,970	16	4	7	-	-
Total receipts	<u>31,022</u>	<u>83,970</u>	<u>16</u>	<u>4</u>	<u>7</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	10,328	-	-	-	-	-	-
Other services and charges	8,597	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	475	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	204	89,131	-	-	-	-	-
Total disbursements	<u>19,604</u>	<u>89,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>11,418</u>	<u>(5,161)</u>	<u>16</u>	<u>4</u>	<u>7</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 29,598</u>	<u>\$ 43,253</u>	<u>\$ 13,066</u>	<u>\$ 2,972</u>	<u>\$ 5,652</u>	<u>\$ 100</u>	<u>\$ 175</u>

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Capital Outlay	Grants Federal And State	Cemetery Endowment	Payroll Withholding-Federal	Health Insurance	Payroll Deferred Comp	Payroll Vision Insurance
Cash and investments - beginning	\$ 17,965	\$ 119,571	\$ 108,032	\$ -	\$ 609,362	\$ -	\$ 1,170
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	1,070,190	-	-	-	-	-
Charges for services	-	-	2,235	-	518,723	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	392,143	441,720	135	413,699	6,180	40,082	6,918
Total receipts	392,143	1,511,910	2,370	413,699	524,903	40,082	6,918
Disbursements:							
Personal services	-	-	-	413,699	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	594,591	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	383,472	1,430,095	-	-	-	40,082	6,918
Total disbursements	383,472	1,430,095	-	413,699	594,591	40,082	6,918
Excess (deficiency) of receipts over disbursements	8,671	81,815	2,370	-	(69,688)	-	-
Cash and investments - ending	\$ 26,636	\$ 201,386	\$ 110,402	\$ -	\$ 539,674	\$ -	\$ 1,170

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Payroll FSA Kiersey	Payroll FSA Derby	Payroll FSA Robinson	Payroll FSA Handshoe	Payroll Standing Chapter	Payroll Hlth Ins Reg 125
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,059
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,000	1,200	800	600	15,968	113,549
Total receipts	2,000	1,200	800	600	15,968	113,549
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	2,000	1,200	783	600	15,968	113,549
Total disbursements	2,000	1,200	783	600	15,968	113,549
Excess (deficiency) of receipts over disbursements	-	-	17	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ 17	\$ -	\$ -	\$ 19,059

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Indiana Child Support	Dental-Payroll	Payroll Colonial Life Ins	Direct Deposit Payroll	United Way-Payroll	Noble County Treasurer-Payroll
Cash and investments - beginning	\$ -	\$ -	\$ 924	\$ -	\$ 56	\$ 40
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	16,334	33,081	13,944	2,026,867	408	-
Total receipts	16,334	33,081	13,944	2,026,867	408	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	16,334	33,081	14,868	2,026,867	357	-
Total disbursements	16,334	33,081	14,868	2,026,867	357	-
Excess (deficiency) of receipts over disbursements	-	-	(924)	-	51	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 107	\$ 40



CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Payroll Fire PERF	Payroll State Tax Withholding	Net Wages Payroll	Police PERF-Payroll	PERF Voluntary- Payroll	Payroll Withholding FICA/Medicare Tax
Cash and investments - beginning	\$ 2,930	\$ -	\$ -	\$ 4,836	\$ 1,843	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	11,922	129,155	818,948	19,918	7,041	455,861
Total receipts	<u>11,922</u>	<u>129,155</u>	<u>818,948</u>	<u>19,918</u>	<u>7,041</u>	<u>455,861</u>
Disbursements:						
Personal services	14,759	129,155	818,948	24,754	8,884	455,706
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>14,759</u>	<u>129,155</u>	<u>818,948</u>	<u>24,754</u>	<u>8,884</u>	<u>455,706</u>
Excess (deficiency) of receipts over disbursements	<u>(2,837)</u>	<u>-</u>	<u>-</u>	<u>(4,836)</u>	<u>(1,843)</u>	<u>155</u>
Cash and investments - ending	<u>\$ 93</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155</u>

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	County Tax Payroll	Wastewater Utility Improvement Bond	Wastewater Utility Improvement	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility-Debt Reserve
Cash and investments - beginning	\$ -	\$ -	\$ 44,120	\$ 442,874	\$ 4,607	\$ 333,927
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	1,961,895	-	-
Other receipts	52,060	833,042	226,733	802	316,049	413
Total receipts	52,060	833,042	226,733	1,962,697	316,049	413
Disbursements:						
Personal services	52,060	-	-	557,485	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	95,722	-	-
Debt service - principal and interest	-	-	-	-	315,950	-
Capital outlay	-	833,042	270,853	2,198	-	-
Utility operating expenses	-	-	-	465,527	-	-
Other disbursements	-	-	-	421,055	-	-
Total disbursements	52,060	833,042	270,853	1,541,987	315,950	-
Excess (deficiency) of receipts over disbursements	-	-	(44,120)	420,710	99	413
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 863,584	\$ 4,706	\$ 334,340

CITY OF KENDALLVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Debt Reserve	Water Utility Improvement	Water Utility - Petty Cash	Totals
Cash and investments - beginning	\$ 1,077,643	\$ 85,989	\$ 466,224	\$ -	\$ 100	\$ 10,089,134
Receipts:						
Taxes	-	-	-	-	-	3,888,875
Licenses and permits	-	-	-	-	-	61,530
Intergovernmental	-	-	-	-	-	3,455,062
Charges for services	-	-	-	-	-	991,302
Fines and forfeits	-	-	-	-	-	30,947
Utility fees	2,085,443	-	-	-	-	4,047,338
Other receipts	2,536	478,582	589	146,896	-	8,057,640
Total receipts	<u>2,087,979</u>	<u>478,582</u>	<u>589</u>	<u>146,896</u>	<u>-</u>	<u>20,532,694</u>
Disbursements:						
Personal services	461,964	-	-	-	-	6,821,385
Supplies	-	-	-	-	-	352,002
Other services and charges	84,571	-	-	-	-	2,088,745
Debt service - principal and interest	-	441,379	-	-	-	1,077,156
Capital outlay	-	-	-	146,896	-	1,675,300
Utility operating expenses	1,375,199	-	-	-	-	1,840,726
Other disbursements	-	-	-	-	-	5,491,140
Total disbursements	<u>1,921,734</u>	<u>441,379</u>	<u>-</u>	<u>146,896</u>	<u>-</u>	<u>19,346,454</u>
Excess (deficiency) of receipts over disbursements	<u>166,245</u>	<u>37,203</u>	<u>589</u>	<u>-</u>	<u>-</u>	<u>1,186,240</u>
Cash and investments - ending	<u>\$ 1,243,888</u>	<u>\$ 123,192</u>	<u>\$ 466,813</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 11,275,374</u>

CITY OF KENDALLVILLE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 66,172	\$ 145,264
Water	45,877	155,615
Governmental activities	145,937	10,115
Totals	\$ 257,986	\$ 310,994

CITY OF KENDALLVILLE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2013

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
General obligation bonds	Redevelopment Commission Bond	\$ 1,520,000	\$ 318,000
Notes and loans payable	2012 Police Interceptor Loan	9,262	9,444
Notes and loans payable	2011 Airport Improvement Loan	153,908	23,162
Notes and loans payable	2011 KLDC Loan	273,480	238,947
Lines of credit	2011 KLDC Loan	350,000	354,130
Lines of credit	EDA Grant East Industrial Park Improvement	441,611	442,880
Total governmental activities		<u>2,748,261</u>	<u>1,386,563</u>
Wastewater:			
Revenue bonds	2006 Wastewater Improvement Bonds	2,980,000	318,195
Notes and loans payable	Sewage Bond Anticipation Notes	878,042	12,995
Notes and loans payable	Sewer Televising Equipment	117,701	40,711
Total Wastewater		<u>3,975,743</u>	<u>371,901</u>
Water:			
Revenue bonds	2007 Water Improvement Bond	4,640,000	441,910
Totals		<u>\$ 11,364,004</u>	<u>\$ 2,200,374</u>

CITY OF KENDALLVILLE  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2013

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	\$ 17,635,417
Infrastructure	13,107,129
Buildings	3,752,849
Improvements other than buildings	13,376,641
Machinery, equipment, and vehicles	8,247,567
Construction in progress	2,525,861
Books and other	26,100
Total governmental activities	58,671,564
Wastewater:	
Land	1,435,723
Buildings	509,436
Improvements other than buildings	13,707,449
Machinery, equipment, and vehicles	4,324,922
Total Wastewater	19,977,530
Water:	
Land	33,480
Buildings	501,913
Improvements other than buildings	14,115,950
Machinery, equipment, and vehicles	3,227,626
Total Water	17,878,969
Total capital assets	\$ 96,528,063

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

***Report on Compliance for the Major Federal Program***

We have audited the City of Kendallville's (City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2013. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on the Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)


***Report on Internal Control Over Compliance***

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

August 5, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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, 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>Department of Justice</u>				
Public Safety Partnership and Community Policing Grants COPS	Direct	16.710	2012-UM-WX-0076	\$ 22,841
Total - Department of Justice				<u>22,841</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205	DES 500897	<u>25,031</u>
Total - Highway Planning and Construction Cluster				<u>25,031</u>
Highway Safety Cluster State and Community Highway Safety	Noble County	20.600	PT-12-11-04-18	5,270
Alcohol Impaired Driving Countermeasures Incentive Grants I	Noble County	20.601	K8-2012-03-03-25	<u>4,185</u>
Total - Highway Safety Cluster				<u>9,455</u>
Airport Improvement Program FAA AIP Federal Grants FAA AIP Federal Grants	Direct	20.106	3-18-0042-18 3-18-0042-19	920,937 <u>135,170</u>
Total - Airport Improvement Program				<u>1,056,107</u>
Total - Department of Transportation				<u>1,090,593</u>
<u>Department of Health and Human Services</u>				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance Drug Free Indiana	Noble County	93.243	5H79TIO23390-02	<u>360</u>
Total - Department of Health and Human Services				<u>360</u>
<u>Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response (SAFER) Fire SAFER Grant	Direct	97.083	EMW-2012-FH-00144	<u>43,158</u>
Total - Department of Homeland Security				<u>43,158</u>
Total federal awards expended				<u>\$ 1,156,952</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 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:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program

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 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted the following deficiency in the internal control system of the City related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness.

Control activities should be selected and developed at various levels of the City to reduce risks of error and/or fraud of the financial statement. The City has not separated incompatible activities related to the preparation of the bank reconciliation. No oversight or approval of the monthly bank reconciliation as prepared by the Clerk-Treasurer is performed by another party. The failure to establish these controls could enable material misstatements to be undetected.

CITY OF KENDALLVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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)

***FINDING 2013-002 - INTERNAL CONTROLS OVER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The City should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: two grants were excluded, two grants were overstated, and one grant should not have been reported. Audit adjustments of \$465,644 were proposed, accepted by the City, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

CITY OF KENDALLVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

No matters are reportable.



AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

# City of Kendallville

234 S. Main Street

Kendallville, IN 46755-1795

www.kendallville-in.org

## CORRECTIVE ACTION PLAN

### **FINDING 2013-001**

Sheryl Hanes  
(260) 347-7025

#### Description of Corrective Action Plan:

Bank Reconciliation and Fund Report are distributed to all members of the City Common Council, City Attorney, and Mayor. The Council President is now signing off on the Bank reconciliation and is placed in the Bank Reconciliation binder.

### **FINDING 2013-002**

Sheryl Hanes  
(260) 347-7025

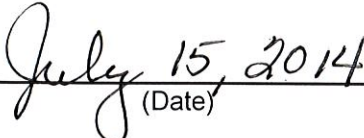
#### Description of Corrective Action Plan:

In order to strengthen the internal controls over the preparation of the financial statements, specifically the Schedule of Federal Expenditures, we agree to obtain a better understanding of exactly what information is to be reported on the document to ensure accuracy and completeness. We will cross reference the accounting system with the spreadsheet of grants and awards so as to include only federal monies expensed.

Anticipated Completion Date: August 1, 2014

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

#### OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the City. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.