

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF KENTLAND

NEWTON COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
04/18/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judy M. King	01-01-11 to 12-31-18
President of the Town Council	James A. Sammons Lowell G. Mitchell	01-01-13 to 12-31-14 01-01-15 to 12-31-17



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF KENTLAND, NEWTON COUNTY, INDIANA

We have examined the accompanying financial statement of the Town of Kentland (Town), for the period of January 1, 2013 to December 31, 2013. The Town's management is responsible for the financial statement. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial 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 to the financial statement, 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, 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, 2013 to December 31, 2013.

In our opinion, the financial statement referred to above presents, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2013 to December 31, 2013, based on the prescribed 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 Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, 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

March 13, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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.

TOWN OF KENTLAND
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	\$ 351,212	\$ 552,833	\$ 391,699	\$ 512,346
Motor Vehicle Highway	53,072	140,426	100,054	93,444
Local Road And Street	27,514	7,732	4,766	30,480
Aviation	-	109,897	91,722	18,175
Sanitation	332,942	85,173	337,981	80,134
Law Enforcement Continuing Ed	873	950	160	1,663
Riverboat	20,322	10,355	552	30,125
Parks And Recreation	120,164	230,049	114,708	235,505
Rainy Day	117	-	-	117
Levy Excess	13,953	-	13,953	-
Cumulative Capital Development	65,255	21,345	73,225	13,375
Park Nonreverting Capital	6,254	2,350	-	8,604
Cumulative Capital Improvement	13,049	4,693	7,328	10,414
Aviation Fuel	13,202	69,209	68,182	14,229
CPX Loan	57,052	92,201	65,000	84,253
Restricted Donations	9,531	75,408	14,459	70,480
Park Memorial Fund	1,031	-	380	651
Sesquicentennial	4,692	517	2,247	2,962
Unrestricted Donations Fund	174,267	210,491	-	384,758
Cable TV Franchise	15,557	9,024	-	24,581
Park Deposit	425	6,575	5,975	1,025
Building Permit	-	620	620	-
Payroll	17,322	421,852	421,268	17,906
Wastewater Utility-Operating	646,568	372,925	414,553	604,940
Storm Drainage Project	40,476	8,719	49,195	-
Water Project (RD)	-	262,443	262,443	-
USDA Bond & Interest	18,652	48,610	35,837	31,425
Water Debt Service Reserve	-	8,664	-	8,664
Water Utility-Operating	890,770	581,631	668,102	804,299
Water Utility-Customer Deposit	13,947	7,950	6,150	15,747
Water Utility- Cash Reserve	3,300	-	-	3,300
Totals	<u>\$ 2,911,519</u>	<u>\$ 3,342,642</u>	<u>\$ 3,150,559</u>	<u>\$ 3,103,602</u>

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

TOWN OF KENTLAND
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, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the 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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF KENTLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

TOWN OF KENTLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, make transfers 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 amounts 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 amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

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

TOWN OF KENTLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 3. *Property Taxes*

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

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, 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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. *Risk Management*

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

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

Note 6. *Subsequent Events*

Pool Loan

The Town received a loan for \$600,000 towards construction of a new swimming pool in 2014.

Aviation Grant

The Town received a grant in the amount of \$1,882,782 for the extension of the runway at the Kentland Municipal Airport in 2014.

TOWN OF KENTLAND
NOTES TO FINANCIAL STATEMENT
(Continued)

Sewage Plant Upgrades

Upgrades to the Sewage Plant for Phosphorus Compliance will begin in 2017. The projected amount for the upgrades is around \$1.2 million with funding from grants and possibly the State Revolving Fund.

Loan Receivable

In September 2016, CPX closed its doors unexpectedly. The company had a loan from the Town in which a loan payment of \$23,050 was received on September 14, 2016, for the quarterly payment. In October 2016, the Town Board met with Mr. Sanders (CPX) who presented the Town Board with a check for \$250,000 for the sale of two pieces of equipment from Choice Plastic Machinery. An agreement was made with Mr. Sanders for one more payment in the amount of \$23,050 within the next year to fulfill his agreement with the Town.

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OTHER INFORMATION - UNEXAMINED

The Town's Annual Financial 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 Town's Annual Financial Report 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 other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF KENTLAND
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	Aviation	Sanitation	Law Enforcement Continuing Ed	Riverboat	Parks And Recreation
Cash and investments - beginning	\$ 351,212	\$ 53,072	\$ 27,514	\$ -	\$ 332,942	\$ 873	\$ 20,322	\$ 120,164
Receipts:								
Taxes	260,457	76,969	-	44,104	-	-	-	64,940
Licenses and permits	-	-	-	-	-	950	-	-
Intergovernmental receipts	247,339	55,542	7,732	37,574	-	-	10,355	4,969
Charges for services	20,000	-	-	28,219	82,864	-	-	4,500
Fines and forfeits	-	-	-	-	2,309	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	25,037	7,915	-	-	-	-	-	155,640
Total receipts	552,833	140,426	7,732	109,897	85,173	950	10,355	230,049
Disbursements:								
Personal services	236,414	29,669	-	-	50,773	-	-	13,311
Supplies	49,126	28,848	-	9,875	8,918	-	-	17,596
Other services and charges	106,159	37,737	4,766	42,456	138,290	160	552	46,780
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	3,800	-	39,391	140,000	-	-	37,021
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-
Total disbursements	391,699	100,054	4,766	91,722	337,981	160	552	114,708
Excess (deficiency) of receipts over disbursements	161,134	40,372	2,966	18,175	(252,808)	790	9,803	115,341
Cash and investments - ending	\$ 512,346	\$ 93,444	\$ 30,480	\$ 18,175	\$ 80,134	\$ 1,663	\$ 30,125	\$ 235,505

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

	Rainy Day	Levy Excess	Cumulative Capital Development	Park Nonreverting Capital	Cumulative Capital Improvement	Aviation Fuel	CPX Loan	Restricted Donations
Cash and investments - beginning	\$ 117	\$ 13,953	\$ 65,255	\$ 6,254	\$ 13,049	\$ 13,202	\$ 57,052	\$ 9,531
Receipts:								
Taxes	-	-	19,850	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	1,495	-	4,693	-	-	-
Charges for services	-	-	-	-	-	69,209	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	-	2,350	-	-	92,201	75,408
Total receipts	-	-	21,345	2,350	4,693	69,209	92,201	75,408
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	68,182	-	1,480
Other services and charges	-	-	-	-	-	-	-	12,979
Debt service - principal and interest	-	-	-	-	-	-	65,000	-
Capital outlay	-	-	73,225	-	7,328	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	13,953	-	-	-	-	-	-
Total disbursements	-	13,953	73,225	-	7,328	68,182	65,000	14,459
Excess (deficiency) of receipts over disbursements	-	(13,953)	(51,880)	2,350	(2,635)	1,027	27,201	60,949
Cash and investments - ending	\$ 117	\$ -	\$ 13,375	\$ 8,604	\$ 10,414	\$ 14,229	\$ 84,253	\$ 70,480

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

	Park Memorial Fund	Sesquicentennial	Unrestricted Donations Fund	Cable TV Franchise	Park Deposit	Building Permit	Payroll	Wastewater Utility-Operating
Cash and investments - beginning	\$ 1,031	\$ 4,692	\$ 174,267	\$ 15,557	\$ 425	\$ -	\$ 17,322	\$ 646,568
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	9,024	-	620	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	6,575	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	364,412
Penalties	-	-	-	-	-	-	-	6,087
Other receipts	-	517	210,491	-	-	-	421,852	2,426
Total receipts	-	517	210,491	9,024	6,575	620	421,852	372,925
Disbursements:								
Personal services	-	-	-	-	-	-	-	142,189
Supplies	-	-	-	-	-	-	-	-
Other services and charges	380	2,247	-	-	-	620	-	10,255
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	3,257
Utility operating expenses	-	-	-	-	-	-	-	258,852
Other disbursements	-	-	-	-	5,975	-	421,268	-
Total disbursements	380	2,247	-	-	5,975	620	421,268	414,553
Excess (deficiency) of receipts over disbursements	(380)	(1,730)	210,491	9,024	600	-	584	(41,628)
Cash and investments - ending	\$ 651	\$ 2,962	\$ 384,758	\$ 24,581	\$ 1,025	\$ -	\$ 17,906	\$ 604,940

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

	Storm Drainage Project	Water Project (RD)	USDA Bond & Interest	Water Debt Service Reserve	Water Utility-Operating	Water Utility-Customer Deposit	Water Utility- Cash Reserve	Totals
Cash and investments - beginning	\$ 40,476	\$ -	\$ 18,652	\$ -	\$ 890,770	\$ 13,947	\$ 3,300	\$ 2,911,519
Receipts:								
Taxes	-	-	-	-	-	-	-	466,320
Licenses and permits	-	-	-	-	-	-	-	10,594
Intergovernmental receipts	8,719	262,443	-	-	-	-	-	640,861
Charges for services	-	-	-	-	-	-	-	211,367
Fines and forfeits	-	-	-	-	-	-	-	2,309
Utility fees	-	-	-	-	572,485	-	-	936,897
Penalties	-	-	-	-	5,480	-	-	11,567
Other receipts	-	-	48,610	8,664	3,666	7,950	-	1,062,727
Total receipts	8,719	262,443	48,610	8,664	581,631	7,950	-	3,342,642
Disbursements:								
Personal services	-	-	-	-	109,504	-	-	581,860
Supplies	-	-	-	-	-	-	-	184,025
Other services and charges	-	-	-	-	8,954	-	-	412,335
Debt service - principal and interest	-	-	35,837	-	4,768	-	-	105,605
Capital outlay	49,195	262,443	-	-	186,578	-	-	802,238
Utility operating expenses	-	-	-	-	271,868	-	-	530,720
Other disbursements	-	-	-	-	86,430	6,150	-	533,776
Total disbursements	49,195	262,443	35,837	-	668,102	6,150	-	3,150,559
Excess (deficiency) of receipts over disbursements	(40,476)	-	12,773	8,664	(86,471)	1,800	-	192,083
Cash and investments - ending	\$ -	\$ -	\$ 31,425	\$ 8,664	\$ 804,299	\$ 15,747	\$ 3,300	\$ 3,103,602

TOWN OF KENTLAND
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ <u><u>-</u></u>	\$ <u><u>92,201</u></u>

TOWN OF KENTLAND
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:			
Notes and loans payable	CPX Loan	\$ 503,750	\$ 65,000
Water:			
Revenue bonds	Water Revenue Bonds - A	735,000	26,640
Revenue bonds	Water Revenue Bonds - B	590,000	21,750
Total Water		1,325,000	48,390
Totals		\$ 1,828,750	\$ 113,390

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.