

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

EXAMINATION REPORT
OF
TOWN OF KENTLAND
NEWTON COUNTY, INDIANA
January 1, 2010 to December 31, 2010



FILED
10/12/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6
Notes to Financial Statement.....	7-10
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	12-15
Schedule of Long-Term Debt	16
Examination Results and Comments:	
Penalties, Interest, and Other Charges	17
Personal Expenses.....	17
Receipt Deposits.....	18
Board Minutes.....	18-19
Capital Asset Records	19
Bank Account Reconciliations	19
Overdrawn Cash Balances.....	19
Record Information	20
Receipt Issuance	20
Service and Time Records	20
Transfers.....	20
Compensation and Benefits	21
Payroll Deductions.....	21
Bond Coverage.....	21
Exit Conference.....	22
Summary	23
Affidavit	25

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Plunkett Judy King	01-01-07 to 12-31-10 01-01-11 to 12-31-14
President of the Town Council	Dave Smart	01-01-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statement of the Town of Kentland (Town), for the period of January 1, 2010 to December 31, 2010. 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, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

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

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Long-Term 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.

The Town's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Town's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

August 3, 2011

(This page intentionally left blank.)

FINANCIAL STATEMENT

TOWN OF KENTLAND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 322,672	\$ 390,664	\$ 364,828	\$ 348,508
Motor Vehicle Highway	266,557	96,167	95,629	267,095
Local Road And Street	19,792	6,578	10,000	16,370
Aviation	(32,025)	166,164	81,862	52,277
Donations	10,875	15,700	8,310	18,265
Sanitation	221,539	135,051	81,156	275,434
Law Enforcement Continuing Ed	803	230	-	1,033
Riverboat	35,499	11,402	37,716	9,185
Parks And Recreation	61,354	123,083	90,009	94,428
Rainy Day	3,614	15,885	15,044	4,455
Levy Excess	8,000	1,276	-	9,276
Cable Tv Franchise	16,018	10,516	18,743	7,791
Park Deposit	275	2,150	1,500	925
Building Permit	-	1,160	1,160	-
Cumulative Capital Development	113,050	21,707	72,087	62,670
Park Nonreverting Capital	2,238	2,099	1,658	2,679
Cumulative Capital Improvement	10,474	5,335	12,628	3,181
Payroll	17,011	372,857	369,207	20,661
Wastewater Utility-Operating	671,069	538,510	508,461	701,118
Water Utility-Operating	772,582	445,712	312,243	906,051
Water Utility-Customer Deposit	14,183	6,900	5,743	15,340
Water Utility-Debt Reserve	3,300	-	-	3,300
Water Utility - Planning Grant	(4,240)	15,840	16,000	(4,400)
	<u>\$ 2,534,640</u>	<u>\$ 2,384,986</u>	<u>\$ 2,103,984</u>	<u>\$ 2,815,642</u>

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

TOWN OF KENTLAND
NOTES TO FINANCIAL INFORMATION

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, trash, aviation, and urban redevelopment and housing.

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

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax county adjusted gross income tax, and other taxes that are set by the Town.

Special assessments which includes amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

TOWN OF KENTLAND
NOTES TO FINANCIAL INFORMATION
(Continued)

License and permits which includes 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 license and permits include: peddler licenses; dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits; and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is 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 includes 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).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

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

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

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

TOWN OF KENTLAND
NOTES TO FINANCIAL INFORMATION
(Continued)

Personal services which includes 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 includes 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 includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

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

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

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

F. Interfund Transfers

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

G. Fund Accounting

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

TOWN OF KENTLAND
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% 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 were 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 statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

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

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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

	General	Motor Vehicle Highway	Local Road And Street	Aviation	Donations	Sanitation
Cash and investments - beginning	\$ 322,672	\$ 266,557	\$ 19,792	\$ (32,025)	\$ 10,875	\$ 221,539
Receipts:						
Taxes	204,127	42,109	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	144,446	52,389	6,578	64,491	-	-
Charges for services	20,000	-	-	-	-	68,527
Fines and forfeits	1,459	-	-	-	-	1,188
Utility fees	-	-	-	-	-	-
Other receipts	20,632	1,669	-	101,673	15,700	65,336
Total receipts	<u>390,664</u>	<u>96,167</u>	<u>6,578</u>	<u>166,164</u>	<u>15,700</u>	<u>135,051</u>
Disbursements:						
Personal services	215,036	33,062	-	-	-	27,303
Supplies	23,090	24,849	-	22,298	-	11,095
Other services and charges	96,961	8,385	-	35,399	-	7,171
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	27,719	29,333	10,000	2,519	8,310	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	2,022	-	-	21,646	-	35,587
Total disbursements	<u>364,828</u>	<u>95,629</u>	<u>10,000</u>	<u>81,862</u>	<u>8,310</u>	<u>81,156</u>
Excess (deficiency) of receipts over disbursements	<u>25,836</u>	<u>538</u>	<u>(3,422)</u>	<u>84,302</u>	<u>7,390</u>	<u>53,895</u>
Cash and investments - ending	<u>\$ 348,508</u>	<u>\$ 267,095</u>	<u>\$ 16,370</u>	<u>\$ 52,277</u>	<u>\$ 18,265</u>	<u>\$ 275,434</u>

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

	Law Enforcement Continuing Ed	Riverboat	Parks And Recreation	Rainy Day	Levy Excess	Cable Tv Franchise
Cash and investments - beginning	\$ 803	\$ 35,499	\$ 61,354	\$ 3,614	\$ 8,000	\$ 16,018
Receipts:						
Taxes	-	-	103,882	-	1,276	-
Licenses and permits	230	-	-	-	-	-
Intergovernmental	-	11,402	8,889	15,885	-	-
Charges for services	-	-	9,538	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	774	-	-	10,516
Total receipts	<u>230</u>	<u>11,402</u>	<u>123,083</u>	<u>15,885</u>	<u>1,276</u>	<u>10,516</u>
Disbursements:						
Personal services	-	-	16,535	-	-	-
Supplies	-	-	20,894	-	-	-
Other services and charges	-	-	45,749	15,044	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	37,716	6,831	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	18,743
Total disbursements	<u>-</u>	<u>37,716</u>	<u>90,009</u>	<u>15,044</u>	<u>-</u>	<u>18,743</u>
Excess (deficiency) of receipts over disbursements	<u>230</u>	<u>(26,314)</u>	<u>33,074</u>	<u>841</u>	<u>1,276</u>	<u>(8,227)</u>
Cash and investments - ending	<u>\$ 1,033</u>	<u>\$ 9,185</u>	<u>\$ 94,428</u>	<u>\$ 4,455</u>	<u>\$ 9,276</u>	<u>\$ 7,791</u>

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

	Park Deposit	Building Permit	Cumulative Capital Development	Park Nonreverting Capital	Cumulative Capital Improvement	Payroll
Cash and investments - beginning	\$ 275	\$ -	\$ 113,050	\$ 2,238	\$ 10,474	\$ 17,011
Receipts:						
Taxes	-	-	19,996	-	-	-
Licenses and permits	-	1,160	-	-	-	-
Intergovernmental	-	-	1,711	-	5,335	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,150	-	-	2,099	-	372,857
Total receipts	<u>2,150</u>	<u>1,160</u>	<u>21,707</u>	<u>2,099</u>	<u>5,335</u>	<u>372,857</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	1,160	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	72,087	1,658	12,628	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,500	-	-	-	-	369,207
Total disbursements	<u>1,500</u>	<u>1,160</u>	<u>72,087</u>	<u>1,658</u>	<u>12,628</u>	<u>369,207</u>
Excess (deficiency) of receipts over disbursements	<u>650</u>	<u>-</u>	<u>(50,380)</u>	<u>441</u>	<u>(7,293)</u>	<u>3,650</u>
Cash and investments - ending	<u>\$ 925</u>	<u>\$ -</u>	<u>\$ 62,670</u>	<u>\$ 2,679</u>	<u>\$ 3,181</u>	<u>\$ 20,661</u>

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

	Wastewater Utility-Operating	Water Utility-Operating	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Water Utility - Planning Grant	Totals
Cash and investments - beginning	\$ 671,069	\$ 772,582	\$ 14,183	\$ 3,300	\$ (4,240)	\$ 2,534,640
Receipts:						
Taxes	-	-	-	-	-	371,390
Licenses and permits	-	-	-	-	-	1,390
Intergovernmental	-	-	-	-	-	311,126
Charges for services	-	-	-	-	-	98,065
Fines and forfeits	-	-	-	-	-	2,647
Utility fees	515,603	394,987	-	-	15,840	926,430
Other receipts	22,907	50,725	6,900	-	-	673,938
Total receipts	<u>538,510</u>	<u>445,712</u>	<u>6,900</u>	<u>-</u>	<u>15,840</u>	<u>2,384,986</u>
Disbursements:						
Personal services	-	-	-	-	-	291,936
Supplies	-	-	-	-	-	102,226
Other services and charges	-	-	-	-	-	209,869
Debt service - principal and interest	9,263	-	-	-	-	9,263
Capital outlay	7,275	17,427	-	-	-	233,503
Utility operating expenses	256,019	265,801	5,743	-	16,000	543,563
Other disbursements	235,904	29,015	-	-	-	713,624
Total disbursements	<u>508,461</u>	<u>312,243</u>	<u>5,743</u>	<u>-</u>	<u>16,000</u>	<u>2,103,984</u>
Excess (deficiency) of receipts over disbursements	<u>30,049</u>	<u>133,469</u>	<u>1,157</u>	<u>-</u>	<u>(160)</u>	<u>281,002</u>
Cash and investments - ending	<u>\$ 701,118</u>	<u>\$ 906,051</u>	<u>\$ 15,340</u>	<u>\$ 3,300</u>	<u>\$ (4,400)</u>	<u>\$ 2,815,642</u>

TOWN OF KENTLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Wastewater Utility:		
Long-Term loans:		
Improvements	\$ 83,000	\$ 84,596

TOWN OF KENTLAND
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$844.55 were incurred by the Town and paid to the Indiana Department of Revenue as noted below for the year 2010.

Date Paid	Type of Assessment	Description	Period Covered	Amount Paid
03-09-11	Payroll Withholdings	Late Filing	November 2010	\$ 144.41
03-22-11	Payroll Withholdings	Late Filing	October 2010	150.21
03-09-11	Sales Tax	Late Filing	October 2010	201.06
03-09-11	Sales Tax	Late Filing	November 2010	222.35
05-16-11	Utility Receipts Tax	Inadequate Estimate Payments	Year 2009	<u>126.52</u>
Totals				<u>\$ 844.55</u>

In addition to the above payments to the Indiana Department of Revenue, the Town incurred late payment penalties, interest, or finance charges on the payments of credit card debt in the amount of \$235.88 and finance charges totaling \$97.66 with another vendor for a total of \$333.54. All costs were paid from Town funds. A similar comment was included in prior Report B37151.

We requested Deborah Plunkett, former Clerk-Treasurer, to reimburse the Town \$844.55 for the penalties and interest paid to Indiana Department of Revenue and \$333.54 for the interest and finance charges paid to vendors. (See Summary, page 23)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL EXPENSES

A poultry roaster was purchased for the Clerk-Treasurer's personal use in the amount of \$24.99. We requested Deborah Plunkett, former Clerk-Treasurer, to reimburse the Town for this purchase. (See Summary, page 23)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF KENTLAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPT DEPOSITS

Four receipts issued during 2010 were not posted or were not posted in total to the Town's ledgers. No documentation was provided to indicate that the amounts received and not posted were deposited to the bank accounts. These undeposited receipts totaled \$170.00.

Also, the local branch of Alcoholics Anonymous (AA) has rented space from the Town for their meetings since 2002. They pay the Town \$20.00 to \$30.00 per month for rent. During the time from 2002 to the end of 2010, AA has paid the Town \$2,245.00. On February 11, 2011, the Town receipted \$100.00 and \$175.00 as rental receipts from 2009 and 2010, respectively. There was no documentary evidence provided to indicate that any of the other rental payments were ever receipted or deposited into Town funds. The receipts issued February 11, 2011, also included unidentified collections of \$343.92.

We requested Deborah Plunkett, former Clerk-Treasurer, to repay the Town \$170.00 for the undeposited receipts and \$2,245.00 in rental fees, less the \$275.00 receipted amounts and the \$343.92 unidentified collections for a net amount of \$1,626.08 in undeposited rental collections. (See Summary, page 23)

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

BOARD MINUTES

Not all minutes of meetings of the governing body were available for examination. The minutes for June, September, October, November, and December 2010 were not presented.

Indiana Code 5-14-1.5-4 states, in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.

TOWN OF KENTLAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) A record of all votes take, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5."

CAPITAL ASSET RECORDS

The Town and Utilities did not maintain detailed records of capital assets. Purchases and deletions or disposals of capital assets are not recorded. This was also noted in the three prior reports.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the Town's fund balances, as maintained on the computer ledger system, to the bank account balances were not presented for the examination period. Hand posted simplified cash ledger books for water and wastewater utilities were presented and reconciled to the bank accounts involved. A similar comment was included in the prior Report B37151.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsibility for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balance of the Water Grant Fund was overdrawn at December 31, 2010. A similar comment was included in prior Report B37151.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF KENTLAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECORD INFORMATION

The Town computer ledger balances for the water and wastewater utility accounts did not agree with the balances maintained separately in the Simplified Cash Journals.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE

A review of the Deposit Register Detail report indicated that the Town recorded no receipts to the computer ledgers for the months of October and November 2010.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Employee service records were not maintained and presented for examination.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSFERS

The Sanitation Fund transferred \$35,587 and the Cable TV Franchise Fund transferred \$18,743 to the Aviation Fund during 2010. A similar comment was included in prior Report B37151.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF KENTLAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Town employees received \$85, \$150, or \$250 in bonus payments in December 2010 which were not included in the payroll system or on the salary ordinance or resolution. A similar comment was included in prior Report B37151. Effective August 18, 2011, the Town Board amended the 2010 salary ordinance to provide for these payments.

The Clerk-Treasurer received \$250 as a bonus payment in December 2010 which was not included in the payroll system or on the salary ordinance or resolution. The Clerk-Treasurer was requested to reimburse the Town for this expense. (See Summary, page 23)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYROLL DEDUCTIONS

Payments were made to several employees without payroll deductions for taxes.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOND COVERAGE

The following bonds were in effect for Deborah Plunkett, former Clerk-Treasurer, during the examination period:

<u>Issued By</u>	<u>Bond Number</u>	<u>Term</u>
Western Surety Company	69450442	01-01-07 to 12-31-11

TOWN OF KENTLAND
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2011, with Judy King, Clerk-Treasurer. The official concurred with our findings.

The contents of this report were discussed on August 3, 2011, with Dave Smart, President of the Town Council.

The contents of this report were discussed on August 3, 2011, with Deborah Plunkett, former Clerk-Treasurer.

TOWN OF KENTLAND
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Deborah Plunkett, former Clerk-Treasurer:			
Penalties, Interest, and Other Charges, page 17	\$ 1,178.09	\$ -	\$ 1,178.09
Personal Expenses, page 17	24.99	-	24.99
Receipt Deposits, page 18	1,796.08	-	1,796.08
Compensation and Benefits, page 21	<u>250.00</u>	<u>-</u>	<u>250.00</u>
Totals	<u>\$ 3,249.16</u>	<u>\$ -</u>	<u>\$ 3,249.16</u>

(This page intentionally left blank.)

AFFIDAVIT

STATE OF INDIANA)
)
TIPPECANOE COUNTY)

We, Gary W. Roberts and Philip W. Astell, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Town of Kentland, Newton County, Indiana, for the period from January 1, 2010 to December 31, 2010, is true and correct to the best of our knowledge and belief.

Gary W. Roberts
Philip W. Astell
Field Examiners

Subscribed and sworn to before me this 21st day of September, 2011.

Christa Coffey
Clerk of the Circuit Court