

**TOWN OF KENNEBEC**  
**AUDIT REPORT**  
**DECEMBER 31, 2008**

**TOWN OF KENNEBEC**

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# Gary L. Larson, CPA

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Town of Kennebec  
Kennebec, South Dakota

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit of the Town of Kennebec, South Dakota, as December 31, 2008, and for the year then ended, and have issued my report thereon dated March 19, 2009. My report was modified because of a scope limitation concerning the component unit and because the financial statements were prepared on the cash basis of accounting.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing my audit, I considered the Town of Kennebec's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose describe in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. I consider the deficiency described in the accompanying Schedule of Current Audit Findings as item number 2008-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected in the Town's internal control.

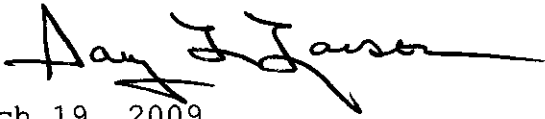
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider item number 2008-01 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Kennebec's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Town of Kennebec's response to the findings identified in my audit are described in the accompanying Schedule of Current Audit Finding. I did not audit the Town of Kennebec's response, and accordingly, I express no opinion on it.

This report is intended solely for the information and use of the governing board and information of the management of the Town of Kennebec, the South Dakota Legislature and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, as required by SDLC 4-11-11 this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Day J. Jansen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

March 19, 2009

# Gary L. Larson, CPA

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Town of Kennebec  
Kennebec, South Dakota

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate directly presented component unit the Town of Kennebec, South Dakota, as of December 31, 2008, and for the year then ended, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Kennebec's management. My responsibility is to express opinions on these financial statements based on my audit.

Except as indicated in the following paragraph, I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, I do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

As discussed in Note 1, the Town of Kennebec prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

I was unable to obtain audited cash basis financial statements supporting the financial activities of the Kennebec Housing and Redevelopment Commission, nor was I able to satisfy myself as to those financial activities by other auditing procedures. Those financial activities are included in the component unit column and represent 100% of the assets and revenues of the component unit column.

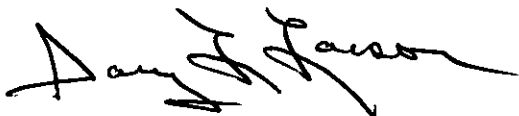
Since I was unable to satisfy myself as to the reported net assets and activities of the component unit, as noted in the previous paragraph, the scope of my work was not sufficient to enable me to express and I do not express, an opinion on the discretely-presented component unit.

In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-cash basis, of the governmental activities, the business-type activities and each major fund of the Town of Kennebec, South Dakota, at December 31, 2008 and the respective changes in financial position thereof for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with the Government Auditing Standards, I have also issued my report dated March 9, 2009 on my consideration of the Town of Kennebec's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of the 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 Governmental Auditing Standards and should be considered in assessing the results of my audit.

The Town of Kennebec has not presented the Management's Discussion and Analysis (MD&A) that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 35 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



March 19, 2009



**TOWN OF KENNEBEC**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**DECEMBER 31, 2008**

	Primary Government		TOTAL
	Governmental Activities	Business-type Activities	
<b>ASSETS:</b>			
Cash and cash equivalents	\$114,864	\$66,174	\$181,038
Restricted cash	\$3,000	\$2,875	\$5,875
<b>TOTAL ASSETS</b>	<b>\$117,864</b>	<b>\$69,049</b>	<b>\$186,913</b>
 <b>NET ASSETS:</b>			
Restricted for Debit Service	3,000	2,875	5,875
Unrestricted	114,864	66,174	181,038
<b>TOTAL NET ASSETS</b>	<b>\$117,864</b>	<b>\$69,049</b>	<b>\$186,913</b>

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

Component  
Unit

---

\$63,096

\$0

---

\$63,096

0

63,096

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\$63,096

**TOWN OF KENNEBEC  
STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

Functions/Programs	Expenses	PROGRAM	
		Changes for Services	Operating Grants
<b>PRIMARY GOVERNMENT:</b>			
Governmental Activities:			
General government	\$25,303	\$275	\$0
Public safety	6,902	0	0
Public works	740,879	4,785	0
Culture and recreation	20,978	62	0
Conservation and development	4,721	0	0
Debt service	226,998	0	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>1,025,781</b>	<b>5,122</b>	<b>0</b>
Business-type Activities:			
Water	40,399	45,161	0
Sewer	2,131	13,534	0
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>42,530</b>	<b>58,695</b>	<b>0</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$1,068,311</b>	<b>\$63,817</b>	<b>\$0</b>
Component Unit:			
Housing and Redevelopment Commission	\$94,251	\$37,003	\$46,129

**GENERAL REVENUES:**

Property taxes  
Sales taxes  
State shared revenues  
Unrestricted investment earnings  
Debt issued  
Other general revenues  
**TRANSFERS**

Total General Revenues  
and Transfers

Change in net assets

Net Assets-beginning

**NET ASSETS-ending**

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

REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit	
\$0	(\$25,028)	\$0	(\$25,028)	\$0	
0	(6,902)	0	(6,902)	0	
448,521	(287,573)	0	(287,573)	0	
0	(20,916)	0	(20,916)	0	
0	(4,721)	0	(4,721)	0	
0	(226,998)	0	(226,998)	0	
448,521	(572,138)	0	(572,138)	0	
0	0	4,762	4,762	0	
0	0	11,403	11,403	0	
0	0	16,165	16,165	0	
\$448,521	(\$572,138)	\$16,165	(\$555,973)	\$0	
\$11,727	\$0	\$0	\$0	\$608	
	56,830	0	56,830	0	
	87,688	0	87,688	0	
	8,675	0	8,675	0	
	2,151	1,374	3,525	1,825	
	325,075	0	325,075	0	
	5,568	0	5,568	359	
	20,000	(20,000)	0	0	
	505,987	(18,626)	487,361	2,184	
	(66,151)	(2,461)	(68,612)	2,792	
	184,015	71,510	255,525	60,304	
	\$117,864	\$69,049	\$186,913	\$63,096	

**TOWN OF KENNEBEC  
BALANCE SHEET-CASH BASIS-  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	General Fund	Entertainment Tax Funds	2008 Bond Fund
<b>ASSETS</b>			
Cash and cash equivalents	\$81,787	\$10,819	\$22,258
Restricted cash	0	0	3,000
<b>TOTAL ASSETS</b>	<b>\$81,787</b>	<b>\$10,819</b>	<b>\$25,258</b>
 <b>FUND BALANCES:</b>			
Reserved for Debt Services	\$0	\$0	\$3,000
Unreserved:			
Designated for ball field	11,394	0	0
Undesignated	70,393	10,819	22,258
<b>Total Fund Balance</b>	<b>\$81,787</b>	<b>\$10,819</b>	<b>\$25,258</b>

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

Total  
Governmental  
Funds

---

\$114,864  
3,000

---

\$117,864

\$3,000

11,394  
103,470

---

\$117,864

**TOWN OF KENNEBEC**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH**  
**BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	General Fund	Entertainment Tax Fund	2008 Bond Fund
<b>Revenues:</b>			
<b>Taxes-</b>			
General property taxes	\$55,448	\$0	\$0
General sales taxes	60,281	7,395	20,000
Amusement taxes	12	0	0
Penalties and interest on tax	1,382	0	0
Licenses and permits	2,905	0	0
<b>Intergovernmental Revenue</b>			
State grants	0	0	0
State shared revenues	10,158	0	0
County shared revenues	321	0	0
<b>Charges for Goods and Services:</b>			
General government	275	0	0
Sanitation	3,302	0	0
<b>Miscellaneous Revenue</b>			
Interest earned	1,740	219	192
Rentals	62	0	0
Special assessments	0	0	97,521
Other	2,342	0	0
<b>Total Revenue</b>	<b>\$138,228</b>	<b>\$7,614</b>	<b>\$117,713</b>

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

2nd Street Fund	Total Governmental Funds
\$0	\$55,448
0	87,676
0	12
0	1,382
0	2,905
	0
351,000	351,000
0	10,158
0	321
	275
0	3,302
	2,151
0	62
0	97,521
0	2,342
<u>\$351,000</u>	<u>\$614,555</u>



**TOWN OF KENNEBEC**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CASH**  
**BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	General Fund	Entertainment Tax Fund	2008 Bond Fund
Expenditures:			
General Government			
Legislative	\$4,454	\$0	\$0
Financial administration	20,849	0	0
Public Safety			
Fire	6,902	0	0
Public Works			
Highways and streets	44,819	0	0
Sanitation	4,528	0	0
Culture and Recreation:			
Parks	6,779	0	0
Library	11,710	0	0
Senior Center	0	2,489	0
Conservation and development			
Economic opportunity	0	4,721	0
Debt service	0	0	226,998
<b>Total Expenditures</b>	<b>\$100,041</b>	<b>\$7,210</b>	<b>\$226,998</b>
Excess of revenues over (under) expenditures	38,187	404	(109,285)
Other Financing Sources (Uses):			
Transfers-in	20,000	0	34,468
Transfers-out	(150,000)	0	0
Proceeds of long-term debt	0	0	100,075
Net Change in Fund Balances	(91,813)	404	25,258
FUND BALANCE JANUARY 1, 2008	173,600	10,415	0
FUND BALANCE, DECEMBER 31, 2008	<b>\$81,787</b>	<b>\$10,819</b>	<b>\$25,258</b>

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

2nd Street Fund	Total Governmental Funds
\$0	\$4,454
0	20,849
0	6,902
691,532	736,351
0	4,528
0	6,779
0	11,710
0	2,489
0	4,721
0	226,998
<u>\$691,532</u>	<u>\$1,025,781</u>
(340,532)	(411,226)
150,000	204,468
(34,468)	(184,468)
<u>225,000</u>	<u>325,075</u>
0	(66,151)
0	184,015
<u>\$0</u>	<u>\$117,864</u>

**TOWN OF KENNEBEC**  
**BALANCE SHEET - CASH BASIS - PROPRIETARY FUNDS**  
**DECEMBER 31, 2008**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
<b>ASSETS:</b>			
Current Assets:			
Cash and cash equivalents	\$29,930	\$36,244	\$66,174
Restricted cash	2,875	0	2,875
<b>TOTAL ASSETS</b>	<b>32,805</b>	<b>36,244</b>	<b>69,049</b>
 <b>NET ASSETS</b>			
Restricted for debt service	2,875	0	2,875
Unrestricted net assets	29,930	36,244	66,174
<b>Total Net Assets</b>	<b>\$32,805</b>	<b>\$36,244</b>	<b>\$69,049</b>

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

**TOWN OF KENNEBEC**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**CASH BASIS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	ENTERPRISE FUNDS		
	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES:</b>			
Charges for goods and services	\$0	\$13,534	\$13,534
Charges for goods and services securing payment of revenue bonds	\$45,161	\$0	\$45,161
<b>Total Operating Expenses</b>	<b>45,161</b>	<b>13,534</b>	<b>58,695</b>
<b>OPERATING EXPENSES:</b>			
Other current expense	11,967	2,131	14,098
Cost of goods sold	25,432	0	25,432
Debt service (principal)	2,500	0	2,500
<b>Total Operating Expenses</b>	<b>39,899</b>	<b>2,131</b>	<b>42,030</b>
<b>Operating Income</b>	<b>5,262</b>	<b>11,403</b>	<b>16,665</b>
<b>Non-operating Revenue (Expense)</b>			
Interest earned	587	787	1,374
Interest expense	(500)	0	(500)
<b>Total Non-operating Revenue (Expense)</b>	<b>87</b>	<b>787</b>	<b>874</b>
<b>Income (loss) before Transfers</b>	<b>5,349</b>	<b>12,190</b>	<b>17,539</b>
<b>Transfers - out</b>	<b>0</b>	<b>(20,000)</b>	<b>(20,000)</b>
<b>Change in net assets</b>	<b>5,349</b>	<b>(7,810)</b>	<b>(2,461)</b>
<b>NET ASSETS, BEGINNING</b>	<b>27,456</b>	<b>44,054</b>	<b>71,510</b>
<b>NET ASSETS, ENDING</b>	<b>\$32,805</b>	<b>\$36,244</b>	<b>\$69,049</b>

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

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1 c., these financial statements are presented on cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting. The enterprise funds and business-type activities do not apply any FASB Statements and Interpretations issued after November 30, 1989.

a. Financial Reporting Entity:

The reporting entity of the Town of Kennebec consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause their financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Town is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on, the Town (primary government). The Town may also be financially accountable for another organization if that organization is fiscally dependent on the Town.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Kennebec Housing and Redevelopment Commission (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though retains the statutory authority to approve or deny or otherwise modify the commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Kennebec Housing and Redevelopment Commission may be obtained from: Kennebec Housing and Redevelopment Commission, Kennebec, SD.

b. Basis of Presentation:

*Government-wide Statements:* The Statement of Net Assets and the Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between the *governmental and business-type activities* and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Discretely presented component units are legally separate organizations that meet certain criteria, as described in Note 1 a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1 a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Town and for each function of the Town's governmental activities.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The funds of the financial reporting entity are described below:

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations or other governments or major capital projects) that are legally restricted to expenditures for specified purposes.

Entertainment Tax Fund - A fund established by SDCL 10-52A used to pay for promotion of the Town. It is financed by a gross receipts tax on bars, restaurants and motels. This is a major fund.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

2008 Bond Fund - to account for the sales taxes and special assessments to be used only for payment of the 2008 Sales Tax Revenue Bonds. This is a major fund.

**Capital Project Funds** - Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations or other governments). The 2<sup>nd</sup> Street Fund is the only Capital Project Fund and is considered a major fund.



**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Proprietary Funds:**

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise funds do not apply any Financial Accounting Standards Board (FASB) Statements and interpretation issued after November 30, 1989.

Water Fund	a fund used to record financial transactions related to water utility operations. This fund is financed by user charges and grants. This is a major fund.
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Sewer Fund	a fund used to record financial transactions related to sewer operations. This fund is financed by user charges. This is a major fund.
------------	--

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Town's basis of accounting is the cash basis which is a basis of accounting other than accounting principles generally accepted in the United States (USGAAP). Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the cash basis, transactions are recorded when cash is received or disbursed.

*Measurement Focus:*

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the cash basis of accounting as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the economic resources" measurement focus is used, applied within the limitations of the cash basis of accounting.

*Basis of Accounting:*

In the Government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental, business-type and component unit activities are presented using a cash basis of accounting.

The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Town applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Interfund Eliminations and Reclassifications:

*Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances. The Town did not have internal receivables or payables as of December 31, 2008.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. In order to minimize the doubling-up effect on the interfund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund, so that expenses are reported only in the function to which they relate. The Town did not have any such internal activity during the fiscal year 2008.

e. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

f. Capital Assets:

Under the cash basis of accounting, capital assets are recorded not as assets, but as a program cost (expense) when they result from cash transactions.

g. Long-term Liabilities:

Under the cash basis of accounting, cash proceeds from long-term debt issuances is recorded as a receipt, while payments to creditors to reduce long-term debts are recorded as a cost of the program which benefits from the financing. Allocations are made where appropriate. Interest costs are not allocated, but are reported as a separate program cost category.

Long-term debts arising from cash transactions of governmental funds are not reported as liabilities in the financial statements. Instead, the debt proceeds are reported as other financing sources and payments of principle and interest are reported as expenditures.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting for long-term debts of proprietary funds is the same in the fund financial statements as it is in the government-wide financial statements.

h. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Town's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows.

1. Charges for services - These arise from charges to customers, applicants or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Activities, revenues and expenses that are capital and related financing activities or investing activities are reported as separate classifications of revenue or expense (on a cash basis).

j. Equity Classifications:

*Government-wide Statements:*

Equity is classified as net assets and is displayed in two components:

**TOWN OF KENNEBEC  
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
2. Unrestricted net assets - All other net assets that do not meet the definition of "restricted."

*Fund Financial Statements:*

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

It is the Town's policy to first use restricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK:

The Town follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below.

Deposits - The Town's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1, and 9-22-6.2, and may be in the form of demand or time deposits.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letter of credit issued by Federal Home Loan Banks accompanied by written evidence of that banks public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

It is the Town's policy to deposit all interest revenue to the fund making the investment.

**Custodial Credit Risk:**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized,
- b. Collateralized with securities held by the pledging financial institution, or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The Town's deposits were not exposed to the above risks as of December 31, 2008.

**Custodial Credit Risk - Deposits** -The risk that, in the event of a depository failure, the Town's deposits may not be returned to it. The Town has a deposit policy for custodial credit risk. As of December 31, 2008, the Town's deposits were not exposed to custodial credit risk.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

2. DEPOSITS AND INVESTMENTS, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK: (continued)

**Interest Rate Risk** - The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk** - State law limits eligible investments for the Town, as discussed above. The Town has an investment policy that would further limit its investment choices. The Town had no investments as of December 31, 2008.

**Concentration of Credit Risk** - The Town places no limit on the amount that may be invested in any one issuer.

**Assignment of Investment Income** - State law allows income from deposits and investment to be credited to either the General Fund or the fund making the investment. The Town's policy is to credit all income from investments to the fund making the investment.

3. PROPERTY TAXES

Property taxes are levied on or about October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property as of January 1 of each year. Taxes are payable in two installments on or before April 30 and October 31 of the following year.

The Town is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the Town.

4. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2008, the Town managed its risks as follows:



**TOWN OF KENNEBEC**  
**NOTES TO CASH BASIS FINANCIAL STATEMENTS**

4. RISK MANAGEMENT (continued)

Employee Health Insurance:

The Town does not purchase health insurance for its employees.

Liability Insurance:

The Town joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The Town's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the Town. The Town pays an annual premium, to provide liability coverage detailed below, under a claim made policy on the ultimate cost of the experience to date of SDPAA member, based on their exposure or type of coverage. The Town pays an annual premium to the Pool to provide coverage for automobile and general liability.

The agreement with the South Dakota Public Assurance Alliance provided that the above coverage's will be provided to a \$1,000,000 limit. Member premiums are used by the Pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve under certain conditions. As of December 31, 2008, the Town had a vested balance of \$6,812 in the reserve fund. The Town carries a \$250 deductible for the automobile coverage and \$1,000 deductible for the general liability.

The Town does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

4. RISK MANAGEMENT (continued)

these risks have not exceeded the liability coverage for the past three years.

Workmen's Compensation:

The Town joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage and to develop a comprehensive loss control program. The Town's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Town pays an annual premium, to provide worker's compensations coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The Pool pays the first \$600,000 of any claim per individual. The Pool has reinsurance which covers up to \$2,000,000 per individual per incident.

The Town does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The Town provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota. During 2008, no claims were filed or paid for unemployment, nor are any anticipated as of December 31, 2008.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

5. RETIREMENT PLAN

All employees, except for part-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of

South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor's benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by the State statute to contribute 6% of their salary to the plan, while public safety and judicial employees contribute at 8% and 9%, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The Town's share of contributions to the SDRS for fiscal years ended December 31, 2008, 2007 and 2006 were \$723, \$691 and \$669 respectively, equal to the required contributions each year.

6. INTERFUND TRANSFERS

In 2008 a transfer of \$20,000 was made from the Sewer Fund to the General Fund to subsidize operations of the General Fund.

In 2008 a transfer of \$130,000 was made from the General Fund to the 2<sup>nd</sup> Street Fund to subsidize its project.

In 2008, a transfer of \$34,468 was made from the 2<sup>nd</sup> Street Fund to the Bond Fund to close the Capital Project Fund.

**TOWN OF KENNEBEC**  
**NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

7. LONG-TERM DEBT

A summary of changes in long-term debt follows:

Governmental Activities:

	Sales Tax Revenue Bonds
Balance, January 1, 2008	\$ -
Issued 2008	325,075
Paid 2008	<u>(225,006)</u>
Balance, December 31, 2008	<u>\$ 100,069</u>
Due within one year	<u>\$ 32,290</u>

Business Type Activities:

	Water Revenue Bonds
Balance, January 1, 2008	\$ 10,000
Paid 2008	<u>2,500</u>
Balance, December 31, 2008	<u>\$ 7,500</u>
Due within one year	<u>\$ 2,500</u>
Grand Total	<u>\$ 107,569</u>

Payable from Governmental Activities:

Series 2008 Sales Tax Revenue Bonds, due in monthly installments of \$3,000, including 4.5% interest, Maturing 2011	<u>\$ 100,069</u>
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Payable from Business Type Activities:

Water Revenue Bonds, 5% interest, Maturing 2011	<u>7,500</u>
Total	<u>\$ 107,569</u>

**TOWN OF KENNEBEC  
NOTES TO THE CASH BASIS FINANCIAL STATEMENTS**

7. LONG-TERM DEBT (continued)

Annual Requirements to Maturity for Long-term Debt  
December 31, 2008

Governmental Activities:

	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 32,290	\$ 3,710
2010	32,844	3,156
2011	34,935	1,065
Total	\$100,069	\$ 7,931

Business-Type Activities:

2009	\$ 2,500	\$ 375
2010	2,500	250
2011	2,500	125
Total	\$ 7,500	\$ 750

**TOWN OF KENNEBEC**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amount
	Original	Final	(Budgetary Basis)
<b>REVENUES</b>			
<b>Taxes:</b>			
General property taxes	\$54,313	\$54,313	\$55,448
General sales and use taxes	56,000	56,000	60,281
Amusement taxes	50	50	12
Penalties and interest	100	100	1,382
 Licenses and Permits	 2,905	 2,905	 2,905
 Intergovernmental Revenue			
State shared revenue	10,100	10,100	10,158
County shared revenue	320	320	321
 Charges for Goods and Services			
General government	0	0	275
Sanitation	3,500	3,500	3,302
 Miscellaneous Revenue			
Investment earnings	8,800	8,800	1,740
Rentals	200	200	62
Other	1,000	1,000	2,342
 Total Revenue	 <u>137,288</u>	 <u>137,288</u>	 <u>138,228</u>

The accompanying notes to required supplemental information are an integral part of this schedule.

Variance with  
Final Budget-  
Positive  
(Negative)

---

\$1,135  
4,281  
(38)  
1,282

0

58  
1

275  
(198)

(7,060)  
(138)  
1,342

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940

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**TOWN OF KENNEBEC**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND-CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

EXPENDITURES	Budgeted Amounts		Actual Amount
	Original	Final	(Budgetary Basis)
General Government			
Legislative	\$5,833	\$5,833	\$4,454
Contingencies	6,000	6,000	0
Amount transferred	0	0	0
Financial administration	25,430	25,430	20,849
Public Safety			
Fire	9,150	9,150	6,902
Public Works			
Highways and streets	63,500	63,500	44,819
Sanitation	5,300	5,300	4,528
Culture and Recreation			
Parks	8,450	8,450	6,779
Library	13,625	13,625	11,710
Total Expenditures	<u>137,288</u>	<u>137,288</u>	<u>100,041</u>
Excess of Revenues over Expenditures	0	0	38,187
Other Financing Sources - (uses):			
Transfers-in	0	20,000	20,000
Transfers-out	<u>(100,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>
Net Change in Fund Balance	(100,000)	(130,000)	(91,813)
FUND BALANCE-Beginning	<u>173,600</u>	<u>173,600</u>	<u>173,600</u>
FUND BALANCE-Ending	<u><u>\$73,600</u></u>	<u><u>\$43,600</u></u>	<u><u>\$81,787</u></u>

The accompanying notes to supplemental information are an integral part of the schedule



Variance with  
Final Budget-  
Positive  
(Negative)

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\$1,379

6,000

0

4,581

2,248

18,681

772

1,671

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1,915

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37,247

38,187

0

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0

38,187

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0

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\$38,187

**TOWN OF KENNEBEC**  
**BUDGETARY COMPARISON SCHEDULE - ENTERTAINMENT TAX FUND - CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

	Budgeted Amounts		Actual Amount (Budgetary Basis)
	Original	Final	
<b>REVENUES</b>			
Taxes:			
General sales and use taxes	8,000	8,000	7,395
Miscellaneous Revenue			
Investment earnings	250	250	219
<b>Total Revenue</b>	<b>8,250</b>	<b>8,250</b>	<b>7,614</b>
<b>EXPENDITURES</b>			
Culture and Recreation			
Senior Center	3,500	3,500	2,489
Conservation and development			
Economic opportunity	4,750	4,750	4,721
<b>Total Expenditures</b>	<b>8,250</b>	<b>8,250</b>	<b>7,210</b>
<b>Net Change in Fund Balance</b>	<b>0</b>	<b>0</b>	<b>404</b>
<b>FUND BALANCE-Beginning</b>	<b>10,415</b>	<b>10,415</b>	<b>10,415</b>
<b>FUND BALANCE-Ending</b>	<b>\$10,415</b>	<b>\$10,415</b>	<b>\$10,819</b>

The accompanying notes to supplemental information are an integral part of this schedule

Variance with  
Final Budget-  
Positive  
(Negative)

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(605)

---

(31)

---

(636)

1,011

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29

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1,040

404

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0

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\$404

**TOWN OF KENNEBEC**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Budgets and Budgetary Accounting:

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution to the governing board.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General and Entertainment Tax Fund are adopted on a basis consistent with generally accepted accounting principles, on a cash basis.

**TOWN OF KENNEBEC**  
**SCHEDULE OF CURRENT AUDIT FINDINGS**

FINDING NUMBER 2008-01:

A lack of proper segregation of duties is the present situation in the Town's accounting department.

**CRITERIA:**

Duties should be segregated so the same employees who handle cash do not record cash transactions nor have general ledger access. Bank reconciliation should be performed by personnel not involved with the check writing process. Other financial and accounting functions should be done by separate people.

**CONDITION, CAUSE AND EFFECT:**

The size of the entity precludes an adequate segregation of duties.

**RECOMMENDATION:**

The Board of Trustees should always be aware of this weakness as they review and approve transactions of the Town and resulting financial reports. Compensating controls should be implemented whenever and wherever possible.

**RESPONSE:**

The Town agrees with the finding, but does not intend to hire additional personnel just to segregate duties.

**TOWN OF KENNEBEC  
SCHEDULE OF PRIOR AUDIT FINDINGS**

The following findings and recommendations were reported to the Town as of December 31, 2006.

FINDING NUMBER 1:

The Town does not have an approved capital asset policy nor adequate subsidiary records for capital assets.

CURRENT STATUS:

The Town adopted a capitalization policy and has compiled capital asset subsidiary records.

FINDING NUMBER 2:

The 2005 annual inventory was completed by a local contractor, without the Town's active participation.

CURRENT STATUS:

The Chairman of the Board of Trustees did the inventory for 2008.

FINDING NUMBER 3:

A .5% interest earning passbook was used to hold an FHA reserve. The rate was less than could have been earned in other bank accounts.

CURRENT STATUS:

The reserve has since been transferred to the money market account shared by the other funds, thus earning optimal interest.

**TOWN OF KENNEBEC  
SCHEDULE OF PRIOR AUDIT FINDINGS**

FINDING NUMBER 4:

No documentation was held by the Town to support the reported \$4,426.61 reserve requirement.

CURRENT STATUS:

The Town obtained a copy of the original loan covenants and has adjusted the reserve to the currently required amount of the next scheduled debt service payment.

FINDING NUMBER 5:

All monthly bank reconciliations were not retained for audit (one was not located).

CURRENT STATUS:

All bank reconciliations, including outstanding check lists, are retained by the Finance Officer.

FINDING NUMBER 6:

Miscellaneous receipts were not retained for audit.

CURRENT STATUS:

All receipts are now retained for audit.

FINDING NUMBER 7:

Supplement appropriations were unnecessarily used to authorize contingency transfers.

CURRENT STATUS:

Contingency transfers were not used during 2008.

**TOWN OF KENNEBEC  
SCHEDULE OF PRIOR AUDIT FINDINGS**

FINDING NUMBER 8:

Quicken software does not have the capability to produce a record of file maintenance.

CURRENT STATUS:

The Town Finance Officer and Board of Trustees have adapted mitigating controls to deter unauthorized file maintenance.