

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

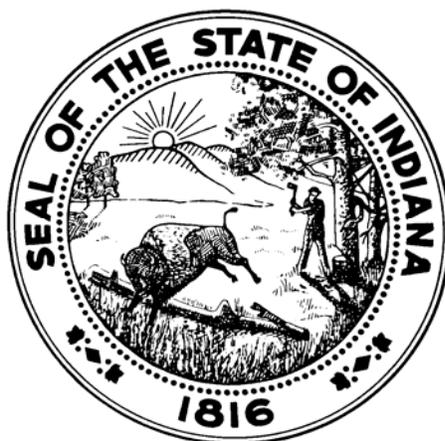
EXAMINATION REPORT

OF

TOWN OF REDKEY

JAY COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
10/30/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda K. Adkins Sandra S. Kirby	01-01-04 to 10-27-05 10-31-05 to 12-31-07
President of the Town Council	Violet Erlenbush Dottie Quakenbush Doug Stanley	01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF REDKEY, JAY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Redkey (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 18, 2007

TOWN OF REDKEY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 20,726	\$ 311,416	\$ 318,938	\$ 13,204
Motor Vehicle Highway	8,387	51,728	40,367	19,748
Local Road and Street	(790)	6,512	-	5,722
Park and Recreation	2,229	10,175	7,111	5,293
Law Enforcement Continuing Education	462	389	-	851
Railroad	32,456	-	11,724	20,732
Revolving Loan	1,473	7,670	-	9,143
Federal Emergency Management Agency	-	73,150	72,043	1,107
Cumulative Capital Improvement	-	4,411	-	4,411
Cumulative Capital Development	21,640	7,168	9,031	19,777
Proprietary Funds:				
Water Utility - Operating	(713)	100,380	110,691	(11,024)
Water Utility - Improvement	2,327	300	-	2,627
Water Utility - Depreciation	6,782	7,684	13,232	1,234
Water Utility - Customer Deposit	27,209	23,600	20,857	29,952
Wastewater Utility - Operating	(14,943)	171,604	165,844	(9,183)
Wastewater Utility - Bond and Interest	(25,051)	86,500	86,500	(25,051)
Wastewater Utility - Separation	(487)	19,276	12,300	6,489
Wastewater Utility - Reserve	3,658	-	-	3,658
Trash Utility	2,578	48,431	50,370	639
Fiduciary Funds:				
Performance Bonds	700	-	-	700
Levy Excess	-	1,280	-	1,280
Payroll	22,283	189,258	186,525	25,016
Totals	<u>\$ 110,926</u>	<u>\$ 1,120,932</u>	<u>\$ 1,105,533</u>	<u>\$ 126,325</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 13,204	\$ 359,831	\$ 325,118	\$ 47,917
Motor Vehicle Highway	19,748	84,772	70,631	33,889
Local Road and Street	5,722	22,629	16,354	11,997
Park and Recreation	5,293	5,067	6,398	3,962
Law Enforcement Continuing Education	851	796	225	1,422
Grade Crossing	-	1,566	-	1,566
Railroad	20,732	38,141	56,399	2,474
Revolving Loan	9,143	6,100	245	14,998
Federal Emergency Management Agency	1,107	-	-	1,107
United States Department of Agriculture	-	2,250	2,250	-
Cumulative Capital Improvement	4,411	15,509	10,411	9,509
Cumulative Capital Development	19,777	23,054	22,169	20,662
Economic Development Income Tax	-	23,046	23,046	-
Proprietary Funds:				
Water Utility - Operating	(11,024)	129,737	110,190	8,523
Water Utility - Improvement	2,627	2,627	2,627	2,627
Water Utility - Depreciation	1,234	9,870	8,000	3,104
Water Utility - Customer Deposit	29,952	16,000	12,768	33,184
Wastewater Utility - Operating	(9,183)	170,969	139,032	22,754
Wastewater Utility - Bond and Interest	(25,051)	442,159	389,496	27,612
Wastewater Utility - Separation	6,489	37,824	11,788	32,525
Wastewater Utility - Reserve	3,658	3,658	3,658	3,658
Trash Utility	639	58,374	51,466	7,547
Fiduciary Funds:				
Performance Bonds	700	-	-	700
Levy Excess	1,280	8,516	-	9,796
Payroll	25,016	186,839	207,582	4,273
Totals	<u>\$ 126,325</u>	<u>\$ 1,649,334</u>	<u>\$ 1,469,853</u>	<u>\$ 305,806</u>

The accompanying notes are an integral part of the financial information.

TOWN OF REDKEY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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 become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 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.

TOWN OF REDKEY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
2003 Ford F350	\$ 2,841	\$ 2,841
2007 police car	<u>21,300</u>	<u>3,661</u>
Total governmental activities long-term debt	<u>\$ 24,141</u>	<u>\$ 6,502</u>
Business-type Activities:		
Water Utility		
Capital lease:		
Utility truck	\$ 4,739	\$ 1,434
Wastewater Utility		
Capital lease:		
Utility truck	4,739	1,434
Revenue bonds:		
Refunding bonds of 2006	<u>280,000</u>	<u>21,000</u>
Total Wastewater Utility	<u>284,739</u>	<u>22,434</u>
Total business-type activities long-term debt	<u>\$ 289,478</u>	<u>\$ 23,868</u>

TOWN OF REDKEY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 716
Capital assets, net of accumulated depreciation:	
Buildings	172,671
Improvements other than buildings	686,164
Machinery and equipment	<u>38,092</u>
Total Water Utility capital assets	<u>897,643</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	8,400
Capital assets, net of accumulated depreciation:	
Buildings	910,850
Improvements other than buildings	428,100
Machinery and equipment	<u>181,986</u>
Total Wastewater Utility capital assets	<u>1,529,336</u>
Total business-type activities capital assets	<u>\$ 2,426,979</u>

TOWN OF REDKEY
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for examination indicated disbursements in excess of budgeted appropriations for the general fund in the amount of \$11,427 in 2005.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CAPITAL ASSET RECORDS

No capital asset records were maintained for assets of the Town.

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. 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)

CAPITALIZATION POLICY

The Town Council has not established a capitalization policy.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES

The Water Operating Fund, Wastewater Operating Fund and Wastewater Bond and Interest Fund were overdrawn in 2005.

The fund 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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances for January 2005 to November 2005 were not presented for examination.

Indiana Code 5-13-6-1(e) states in part: "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."

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$4,913 were paid to the Internal Revenue Service, the Indiana Department of Revenue and the Indiana Department of Environmental Management in 2005 and 2006 for periods ending December 31, 2005 or earlier.

TOWN OF REDKEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the Town had money due from the Town, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF REDKEY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2007, with Sandra S. Kirby, Clerk-Treasurer; and Doug Stanley, President of the Town Council. The officials concurred with our findings.