

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

AUDIT REPORT

OF

TOWN OF REDKEY

JAY COUNTY, INDIANA

January 1, 2008 to December 31, 2009



**FILED**  
06/21/2010



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra S. Kirby	01-01-08 to 12-31-11
President of the Town Council	Doug Stanley	01-01-08 to 12-31-10
Superintendent of Water Utility	Violet Erlenbush	01-01-08 to 12-31-10
Superintendent of Wastewater Utility	Bill Tressler	01-01-08 to 12-31-10



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Redkey (Town), as of and for the years ended December 31, 2008 and 2009, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated May 20, 2009, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents and Schedule of Long-Term Debt, are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 20, 2010



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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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Redkey (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated May 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described 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.

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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 by the entity's internal control.

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  
(Continued)

Our consideration of 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Town's management, the Town Council, 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. 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

May 20, 2010

TOWN OF REDKEY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 82,036	\$ 10,658	\$ -	\$ -	\$ (71,378)	\$ -	\$ (71,378)
Public safety	205,569	9,630	-	-	(195,939)	-	(195,939)
Highways and streets	67,001	-	37,025	6,023	(23,953)	-	(23,953)
Sanitation	56,160	55,584	-	-	(576)	-	(576)
Economic development	77,890	-	-	-	(77,890)	-	(77,890)
Culture and recreation	2,995	-	-	-	(2,995)	-	(2,995)
Total governmental activities	<u>491,651</u>	<u>75,872</u>	<u>37,025</u>	<u>6,023</u>	<u>(372,731)</u>	<u>-</u>	<u>(372,731)</u>
Business-type activities:							
Wastewater Utility	159,814	204,990	-	-	-	45,176	45,176
Water Utility	976,870	174,337	-	884,726	-	82,193	82,193
Total business-type activities	<u>1,136,684</u>	<u>379,327</u>	<u>-</u>	<u>884,726</u>	<u>-</u>	<u>127,369</u>	<u>127,369</u>
Total primary government	<u>\$ 1,628,335</u>	<u>\$ 455,199</u>	<u>\$ 37,025</u>	<u>\$ 890,749</u>	<u>(372,731)</u>	<u>127,369</u>	<u>(245,362)</u>
General receipts:							
Property taxes					172,020	-	172,020
Intergovernmental					258,120	-	258,120
Other local sources					41,569	-	41,569
Investment earnings					2,613	2,518	5,131
Sale of property, adjustments and refunds					-	219	219
Total general receipts					<u>474,322</u>	<u>2,737</u>	<u>477,059</u>
Change in net assets					101,591	130,106	231,697
Net assets - beginning					<u>218,839</u>	<u>214,295</u>	<u>433,134</u>
Net assets - ending					<u>\$ 320,430</u>	<u>\$ 344,401</u>	<u>\$ 664,831</u>
<u>Assets</u>							
Cash and investments					\$ 202,940	\$ 174,861	\$ 377,801
Restricted assets:							
Cash and investments					<u>117,490</u>	<u>169,540</u>	<u>287,030</u>
Total assets					<u>\$ 320,430</u>	<u>\$ 344,401</u>	<u>\$ 664,831</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 5,011	\$ -	\$ 5,011
Debt service					-	47,739	47,739
Capital outlay					112,479	-	112,479
Other purposes					-	121,801	121,801
Unrestricted					<u>202,940</u>	<u>174,861</u>	<u>377,801</u>
Total net assets					<u>\$ 320,430</u>	<u>\$ 344,401</u>	<u>\$ 664,831</u>

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

TOWN OF REDKEY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2008

	General	Motor Vehicle Highway	Cumulative Capital Development	County Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 168,379	\$ -	\$ 15,165	\$ -	\$ 5,459	\$ 189,003
Intergovernmental	98,973	47,409	2,764	131,645	20,377	301,168
Charges for services	10,105	-	-	-	55,584	65,689
Fines and forfeits	150	-	-	-	966	1,116
Interfund loans	130,540	-	33,270	-	47,271	211,081
Other	10,326	-	-	-	10,922	21,248
<b>Total receipts</b>	<b>418,473</b>	<b>47,409</b>	<b>51,199</b>	<b>131,645</b>	<b>140,579</b>	<b>789,305</b>
<b>Disbursements:</b>						
General government	81,693	-	-	-	343	82,036
Public safety	192,918	-	-	-	651	193,569
Highways and streets	-	47,604	-	-	19,397	67,001
Sanitation	-	-	-	-	56,160	56,160
Economic development	-	-	-	-	20,000	20,000
Culture and recreation	-	-	-	-	2,685	2,685
Interfund loans	130,540	-	33,270	-	47,271	211,081
Capital outlay:						
Public safety	-	-	12,000	-	-	12,000
Economic development	-	-	-	57,890	-	57,890
Culture and recreation	-	-	-	-	310	310
<b>Total disbursements</b>	<b>405,151</b>	<b>47,604</b>	<b>45,270</b>	<b>57,890</b>	<b>146,817</b>	<b>702,732</b>
Excess (deficiency) of receipts over disbursements	13,322	(195)	5,929	73,755	(6,238)	86,573
<b>Other financing sources (uses):</b>						
Other receipts	11,534	3,484	-	-	-	15,018
<b>Total other financing sources (uses)</b>	<b>11,534</b>	<b>3,484</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,018</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	24,856	3,289	5,929	73,755	(6,238)	101,591
Cash and investment fund balance - beginning	68,330	46,595	32,795	-	71,119	218,839
Cash and investment fund balance - ending	\$ 93,186	\$ 49,884	\$ 38,724	\$ 73,755	\$ 64,881	\$ 320,430
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 93,186	\$ 49,884	\$ -	\$ -	\$ 59,870	\$ 202,940
Restricted assets:						
Cash and investments	-	-	38,724	73,755	5,011	117,490
<b>Total cash and investment assets - ending</b>	<b>\$ 93,186</b>	<b>\$ 49,884</b>	<b>\$ 38,724</b>	<b>\$ 73,755</b>	<b>\$ 64,881</b>	<b>\$ 320,430</b>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ 5,011	\$ 5,011
Capital Outlay	-	-	38,724	73,755	-	112,479
Unrestricted	93,186	49,884	-	-	59,870	202,940
<b>Total cash and investment fund balance - ending</b>	<b>\$ 93,186</b>	<b>\$ 49,884</b>	<b>\$ 38,724</b>	<b>\$ 73,755</b>	<b>\$ 64,881</b>	<b>\$ 320,430</b>

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

TOWN OF REDKEY  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As Of And For the Year Ended December 31, 2008

	<u>Wastewater Utility</u>	<u>Water Utility</u>	<u>Totals</u>
Operating receipts:			
Metered/measured	\$ 193,339	\$ 149,278	\$ 342,617
Fire protection receipts	-	13,800	13,800
Interfund loan proceeds	50,000	-	50,000
Miscellaneous	<u>11,651</u>	<u>11,259</u>	<u>22,910</u>
 Total operating receipts	 <u>254,990</u>	 <u>174,337</u>	 <u>429,327</u>
Operating disbursements:			
Salaries and wages	32,962	27,766	60,728
Employee pensions and benefits	17,077	11,309	28,386
Sludge removal	2,757	-	2,757
Purchased power	12,854	4,447	17,301
Chemicals	2,129	550	2,679
Material and supplies	4,354	18,844	23,198
Contractual services	6,442	187,173	193,615
Repairs	-	10,218	10,218
Transportation	2,542	-	2,542
Insurance claims and expense	2,538	1,024	3,562
Refunds	25	5,064	5,089
Equipment and capital improvements	25,264	687,178	712,442
Interfund loans made/repaid	50,000	-	50,000
Miscellaneous	<u>13,865</u>	<u>23,297</u>	<u>37,162</u>
 Total operating disbursements	 <u>172,809</u>	 <u>976,870</u>	 <u>1,149,679</u>
 Excess (deficiency) of operating receipts over operating disbursements	 <u>82,181</u>	 <u>(802,533)</u>	 <u>(720,352)</u>
Nonoperating receipts (disbursements):			
Investment income	1,259	1,259	2,518
Refunds	219	-	219
Debt service of principal	(23,000)	-	(23,000)
Interest disbursements	<u>(14,005)</u>	<u>-</u>	<u>(14,005)</u>
 Total nonoperating receipts (disbursements)	 <u>(35,527)</u>	 <u>1,259</u>	 <u>(34,268)</u>
 Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	 46,654	 (801,274)	 (754,620)
Capital contributions	-	884,726	884,726
Transfers in	44,890	48,529	93,419
Transfers out	<u>(44,890)</u>	<u>(48,529)</u>	<u>(93,419)</u>
 Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	 46,654	 83,452	 130,106
 Cash and investment fund balance - beginning	 <u>151,594</u>	 <u>62,701</u>	 <u>214,295</u>
 Cash and investment fund balance - ending	 <u>\$ 198,248</u>	 <u>\$ 146,153</u>	 <u>\$ 344,401</u>
 <u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 66,440	\$ 108,421	\$ 174,861
Restricted assets:			
Cash and investments	<u>131,808</u>	<u>37,732</u>	<u>169,540</u>
 Total cash and investment assets - December 31	 <u>\$ 198,248</u>	 <u>\$ 146,153</u>	 <u>\$ 344,401</u>
 <u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 47,739	\$ -	\$ 47,739
Other purposes	84,069	37,732	121,801
Unrestricted	<u>66,440</u>	<u>108,421</u>	<u>174,861</u>
 Total cash and investment fund balance - December 31	 <u>\$ 198,248</u>	 <u>\$ 146,153</u>	 <u>\$ 344,401</u>

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

TOWN OF REDKEY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2008

	Agency Funds
Additions:	
Agency fund additions	\$ 194,453
Total additions	194,453
Deductions:	
Agency fund deductions	195,034
Total deductions	195,034
Excess (deficiency) of total additions over total deductions	(581)
Cash and investment fund balance - beginning	4,371
Cash and investment fund balance - ending	\$ 3,790

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

TOWN OF REDKEY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 111,573	\$ 9,267	\$ -	\$ -	\$ (102,306)	\$ -	\$ (102,306)
Public safety	203,382	10,308	-	-	(193,074)	-	(193,074)
Highways and streets	49,642	550	36,248	5,622	(7,222)	-	(7,222)
Economic development	2,728	-	-	-	(2,728)	-	(2,728)
Culture and recreation	8,297	-	-	-	(8,297)	-	(8,297)
Total governmental activities	<u>375,622</u>	<u>20,125</u>	<u>36,248</u>	<u>5,622</u>	<u>(313,627)</u>	<u>-</u>	<u>(313,627)</u>
Business-type activities:							
Sanitation Utility	60,665	69,873	-	-	-	9,208	9,208
Wastewater Utility	172,979	209,325	-	-	-	36,346	36,346
Water Utility	2,155,025	229,507	-	511,835	-	(1,413,683)	(1,413,683)
Total business-type activities	<u>2,388,669</u>	<u>508,705</u>	<u>-</u>	<u>511,835</u>	<u>-</u>	<u>(1,368,129)</u>	<u>(1,368,129)</u>
Total primary government	<u>\$ 2,764,291</u>	<u>\$ 528,830</u>	<u>\$ 36,248</u>	<u>\$ 517,457</u>	<u>(313,627)</u>	<u>(1,368,129)</u>	<u>(1,681,756)</u>
General receipts:							
Property taxes					181,566	-	181,566
Intergovernmental					136,961	-	136,961
Other local sources					25,949	-	25,949
Net proceeds from borrowings					-	1,487,730	1,487,730
Investment earnings					1,273	3,678	4,951
Total general receipts					<u>345,749</u>	<u>1,491,408</u>	<u>1,837,157</u>
Change in net assets					32,122	123,279	155,401
Net assets - beginning					<u>307,353</u>	<u>357,478</u>	<u>664,831</u>
Net assets - ending					<u>\$ 339,475</u>	<u>\$ 480,757</u>	<u>\$ 820,232</u>
<u>Assets</u>							
Cash and investments					\$ 195,175	\$ 236,074	\$ 431,249
Restricted assets:							
Cash and investments					<u>144,300</u>	<u>244,683</u>	<u>388,983</u>
Total assets					<u>\$ 339,475</u>	<u>\$ 480,757</u>	<u>\$ 820,232</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 10,633	\$ -	\$ 10,633
Debt service					-	99,123	99,123
Capital outlay					133,667	-	133,667
Other purposes					-	145,560	145,560
Unrestricted					<u>195,175</u>	<u>236,074</u>	<u>431,249</u>
Total net assets					<u>\$ 339,475</u>	<u>\$ 480,757</u>	<u>\$ 820,232</u>

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

TOWN OF REDKEY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2009

	General	County Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>				
Taxes	\$ 179,693	\$ -	\$ 20,850	\$ 200,543
Licenses and permits	-	-	600	600
Intergovernmental	101,343	14,772	62,716	178,831
Charges for services	9,265	-	688	9,953
Fines and forfeits	110	-	357	467
Interfund loans	50,000	-	-	50,000
Other	10,331	-	5,042	15,373
	<u>350,742</u>	<u>14,772</u>	<u>90,253</u>	<u>455,767</u>
<b>Total receipts</b>				
<b>Disbursements:</b>				
General government	111,173	-	400	111,573
Public safety	182,279	-	1,329	183,608
Highways and streets	-	-	49,642	49,642
Economic development	-	2,728	-	2,728
Culture and recreation	-	-	4,013	4,013
Interfund loans	50,000	-	-	50,000
Capital outlay:				
Public safety	13,427	-	6,347	19,774
Culture and recreation	-	-	4,284	4,284
	<u>356,879</u>	<u>2,728</u>	<u>66,015</u>	<u>425,622</u>
<b>Total disbursements</b>				
Excess (deficiency) of receipts over disbursements	<u>(6,137)</u>	<u>12,044</u>	<u>24,238</u>	<u>30,145</u>
<b>Other financing sources (uses):</b>				
Transfers in	10,000	-	-	10,000
Transfers out	-	-	(10,000)	(10,000)
Other receipts	1,805	-	172	1,977
	<u>11,805</u>	<u>-</u>	<u>(9,828)</u>	<u>1,977</u>
<b>Total other financing sources (uses)</b>				
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	5,668	12,044	14,410	32,122
Cash and investment fund balance - beginning	<u>93,186</u>	<u>73,755</u>	<u>140,412</u>	<u>307,353</u>
Cash and investment fund balance - ending	<u>\$ 98,854</u>	<u>\$ 85,799</u>	<u>\$ 154,822</u>	<u>\$ 339,475</u>
<b><u>Cash and Investment Assets - Ending</u></b>				
Cash and investments	\$ 98,854	\$ -	\$ 96,321	\$ 195,175
Restricted assets:				
Cash and investments	-	85,799	58,501	144,300
Total cash and investment assets - ending	<u>\$ 98,854</u>	<u>\$ 85,799</u>	<u>\$ 154,822</u>	<u>\$ 339,475</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>				
Restricted for:				
Highways and streets	\$ -	\$ -	\$ 10,633	\$ 10,633
Capital outlay	-	85,799	47,868	133,667
Unrestricted	98,854	-	96,321	195,175
Total cash and investment fund balance - ending	<u>\$ 98,854</u>	<u>\$ 85,799</u>	<u>\$ 154,822</u>	<u>\$ 339,475</u>

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

TOWN OF REDKEY  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As Of And For the Year Ended December 31, 2009

	Sanitation Utility	Wastewater Utility	Water Utility	Totals
Operating receipts:				
Metered/measured	\$ -	\$ 196,497	\$ 206,152	\$ 402,649
Sales	69,873	-	-	69,873
Fire protection receipts	-	-	6,900	6,900
Interfund loan proceeds	-	50,000	-	50,000
Miscellaneous	-	12,828	16,455	29,283
	<u>69,873</u>	<u>259,325</u>	<u>229,507</u>	<u>558,705</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	-	29,277	38,315	67,592
Employee pensions and benefits	-	14,816	11,381	26,197
Sludge removal	-	3,008	-	3,008
Purchased power	-	11,261	4,719	15,980
Chemicals	-	3,091	1,948	5,039
Material and supplies	840	10,892	19,198	30,930
Contractual services	59,825	3,606	56,326	119,757
Transportation	-	1,448	-	1,448
Insurance claims and expense	-	2,392	1,002	3,394
Refunds	-	-	5,810	5,810
Equipment and capital improvements	-	48,149	1,982,255	2,030,404
Interfund loans made/repaid	-	50,000	-	50,000
Miscellaneous	-	8,268	29,266	37,534
	<u>60,665</u>	<u>186,208</u>	<u>2,150,220</u>	<u>2,397,093</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over operating disbursements				
	<u>9,208</u>	<u>73,117</u>	<u>(1,920,713)</u>	<u>(1,838,388)</u>
Nonoperating receipts (disbursements):				
Intergovernmental	-	-	484,892	484,892
Investment income	1,226	1,226	1,226	3,678
Net proceeds from borrowings	-	-	1,487,730	1,487,730
Debt service of principal	-	(24,000)	-	(24,000)
Interest disbursements	-	(12,771)	(4,805)	(17,576)
	<u>1,226</u>	<u>(35,545)</u>	<u>1,969,043</u>	<u>1,934,724</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)				
	10,434	37,572	48,330	96,336
Capital contributions				
Transfers in	-	-	26,943	26,943
Transfers out	-	44,643	68,335	112,978
	<u>-</u>	<u>(44,643)</u>	<u>(68,335)</u>	<u>(112,978)</u>
Excess of receipts, contributions and transfers in over disbursements and transfers out				
	10,434	37,572	75,273	123,279
Cash and investment fund balance - beginning				
	<u>13,077</u>	<u>198,248</u>	<u>146,153</u>	<u>357,478</u>
Cash and investment fund balance - ending				
	<u>\$ 23,511</u>	<u>\$ 235,820</u>	<u>\$ 221,426</u>	<u>\$ 480,757</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 23,511	\$ 69,612	\$ 142,951	\$ 236,074
Restricted assets:				
Cash and investments	-	166,208	78,475	244,683
	<u>-</u>	<u>166,208</u>	<u>78,475</u>	<u>244,683</u>
Total cash and investment assets - December 31	<u>\$ 23,511</u>	<u>\$ 235,820</u>	<u>\$ 221,426</u>	<u>\$ 480,757</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ 55,611	\$ 43,512	\$ 99,123
Other purposes	-	110,597	34,963	145,560
Unrestricted	<u>23,511</u>	<u>69,612</u>	<u>142,951</u>	<u>236,074</u>
Total cash and investment fund balance - December 31	<u>\$ 23,511</u>	<u>\$ 235,820</u>	<u>\$ 221,426</u>	<u>\$ 480,757</u>

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

TOWN OF REDKEY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2009

	Agency Funds
Additions:	
Agency fund additions	\$ 209,559
Total additions	209,559
Deductions:	
Agency fund deductions	209,045
Total deductions	209,045
Excess (deficiency) of total additions over total deductions	514
Cash and investment fund balance - beginning	3,790
Cash and investment fund balance - ending	\$ 4,304

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

TOWN OF REDKEY  
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, general administrative services, water, wastewater, and sanitation utility services.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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 constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The county economic development income tax fund is used to account for the receipt of the town's share of economic development income tax. These monies are earmarked for economic development purposes.

The motor vehicle highway fund is the operating fund of the street department of the town. Receipts to this fund are state gasoline tax distributions.

The cumulative capital development (tax levy) fund is funded by a local tax levy and is used for public safety.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The sanitation utility fund accounts for the operation of trash collection system.

TOWN OF REDKEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, 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 cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governmental funds and the enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

The town does not invest. All cash is maintained in checking accounts.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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

TOWN OF REDKEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

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

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

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

TOWN OF REDKEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the

TOWN OF REDKEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2009, the Town had deposit balances in the amount of \$824,537. This bank balance was insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2008 and 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2008</u>	<u>2009</u>
Other governmental funds	General Fund	\$ -	\$ 10,000
Water Operating Fund	Water Depreciation Fund	12,705	20,016
	Water Bond & Interest Fund	-	44,201
	Waterworks Debt	-	4,116
	Water Retainage	35,824	-
Wastewater Operating Fund	Wastewater Bond and Interest	37,474	37,227
	Wastewater Depreciation	<u>7,416</u>	<u>7,416</u>
Totals		<u>\$ 93,419</u>	<u>\$ 122,976</u>

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

TOWN OF REDKEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Restatements and Reclassifications

For the year ended December 31, 2009, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported December 31, 2008	Fund Reclassification	Balance as Restated January 1, 2009
Trash User Fee Fund - Governmental Fund	\$ 13,077	\$ (13,077)	\$ -
Sanitation Fund - Proprietary Fund	-	13,077	13,077

IV. Other Information

A. Risk Management

The Town is 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 and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Town Council on February 19, 2009.

Wastewater Utility

The current rate structure was approved by the Town Council on November 17, 2005.

Trash Utility

The current rate structure was approved by the Town Council on October 16, 2008.

TOWN OF REDKEY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008

	Local Road And Street	Parks And Recreation Operating	Trash User Fee	Law Enforcement Continuing Education	Loit Public Safety	Nonreverting (Special)	Rainy Day	Cumulative Capital Improvement Cigarette Tax	Revolving Loan	Totals
<b>Receipts:</b>										
Taxes	\$ -	\$ 2,730	\$ -	\$ -	\$ 2,729	\$ -	\$ -	\$ -	\$ -	\$ 5,459
Intergovernmental	6,023	497	-	-	-	-	9,216	4,641	-	20,377
Charges for services	-	-	55,584	-	-	-	-	-	-	55,584
Fines and forfeits	-	-	966	-	-	-	-	-	-	966
Interfund loans	21,674	-	-	-	-	-	8,873	16,724	-	47,271
Other	-	500	1,319	749	-	-	-	-	8,354	10,922
<b>Total receipts</b>	<b>27,697</b>	<b>3,727</b>	<b>57,869</b>	<b>749</b>	<b>2,729</b>	<b>-</b>	<b>18,089</b>	<b>21,365</b>	<b>8,354</b>	<b>140,579</b>
<b>Disbursements:</b>										
General government	-	-	-	-	-	-	343	-	-	343
Public safety	-	-	-	651	-	-	-	-	-	651
Highways and streets	19,397	-	-	-	-	-	-	-	-	19,397
Sanitation	-	-	56,160	-	-	-	-	-	-	56,160
Economic development	-	-	-	-	-	-	-	-	20,000	20,000
Culture and recreation	-	2,685	-	-	-	-	-	-	-	2,685
Interfund loans	21,674	-	-	-	-	-	8,873	16,724	-	47,271
Capital outlay: Culture and recreation	-	310	-	-	-	-	-	-	-	310
<b>Total disbursements</b>	<b>41,071</b>	<b>2,995</b>	<b>56,160</b>	<b>651</b>	<b>-</b>	<b>-</b>	<b>9,216</b>	<b>16,724</b>	<b>20,000</b>	<b>146,817</b>
Excess (deficiency) of receipts over disbursements	(13,374)	732	1,709	98	2,729	-	8,873	4,641	(11,646)	(6,238)
Cash and investment fund balance - beginning	18,385	5,053	11,368	1,084	-	700	-	14,521	20,008	71,119
Cash and investment fund balance - ending	<u>\$ 5,011</u>	<u>\$ 5,785</u>	<u>\$ 13,077</u>	<u>\$ 1,182</u>	<u>\$ 2,729</u>	<u>\$ 700</u>	<u>\$ 8,873</u>	<u>\$ 19,162</u>	<u>\$ 8,362</u>	<u>\$ 64,881</u>
<b>Cash and Investment Assets - Ending</b>										
Cash and investments	\$ -	\$ 5,785	\$ 13,077	\$ 1,182	\$ 2,729	\$ 700	\$ 8,873	\$ 19,162	\$ 8,362	\$ 59,870
Restricted assets: Cash and investments	5,011	-	-	-	-	-	-	-	-	5,011
<b>Total cash and investment assets - ending</b>	<u>\$ 5,011</u>	<u>\$ 5,785</u>	<u>\$ 13,077</u>	<u>\$ 1,182</u>	<u>\$ 2,729</u>	<u>\$ 700</u>	<u>\$ 8,873</u>	<u>\$ 19,162</u>	<u>\$ 8,362</u>	<u>\$ 64,881</u>
<b>Cash and Investment Fund Balance - Ending</b>										
Restricted for: Highways and streets	\$ 5,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,011
Unrestricted	-	5,785	13,077	1,182	2,729	700	8,873	19,162	8,362	59,870
<b>Total cash and investment fund balance - ending</b>	<u>\$ 5,011</u>	<u>\$ 5,785</u>	<u>\$ 13,077</u>	<u>\$ 1,182</u>	<u>\$ 2,729</u>	<u>\$ 700</u>	<u>\$ 8,873</u>	<u>\$ 19,162</u>	<u>\$ 8,362</u>	<u>\$ 64,881</u>

TOWN OF REDKEY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 194,453
Deductions:	
Agency fund deductions	195,034
Excess (deficiency) of total additions over total deductions	(581)
Cash and investment fund balance - beginning	4,371
Cash and investment fund balance - ending	\$ 3,790

TOWN OF REDKEY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009

	Motor Vehicle Highway	Local Road And Street	Parks And Recreation Operating	Donations	Law Enforcement Continuing Ed	Nonreverting (Special)	Rainy Day	Loit-Public Safety	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Development	Revolving Loan	Totals
<b>Receipts:</b>												
Taxes	\$ -	\$ -	\$ 4,510	\$ -	\$ -	\$ -	\$ -	\$ 2,997	\$ -	\$ 13,343	\$ -	\$ 20,850
Licenses and permits	-	-	-	-	600	-	-	-	-	-	-	600
Intergovernmental	47,612	5,622	725	-	-	-	2,233	-	4,376	2,148	-	62,716
Charges for services	-	-	-	550	138	-	-	-	-	-	-	688
Fines and forfeits	-	-	-	-	357	-	-	-	-	-	-	357
Other	-	-	-	-	-	-	-	-	-	-	5,042	5,042
<b>Total receipts</b>	<b>47,612</b>	<b>5,622</b>	<b>5,235</b>	<b>550</b>	<b>1,095</b>	<b>-</b>	<b>2,233</b>	<b>2,997</b>	<b>4,376</b>	<b>15,491</b>	<b>5,042</b>	<b>90,253</b>
<b>Disbursements:</b>												
General government	-	-	-	250	-	-	150	-	-	-	-	400
Public safety	-	-	-	-	782	-	-	547	-	-	-	1,329
Highways and streets	49,642	-	-	-	-	-	-	-	-	-	-	49,642
Culture and recreation	-	-	4,013	-	-	-	-	-	-	-	-	4,013
Capital outlay:												
Public safety	-	-	-	-	-	-	-	-	-	6,347	-	6,347
Culture and recreation	-	-	4,284	-	-	-	-	-	-	-	-	4,284
<b>Total disbursements</b>	<b>49,642</b>	<b>-</b>	<b>8,297</b>	<b>250</b>	<b>782</b>	<b>-</b>	<b>150</b>	<b>547</b>	<b>-</b>	<b>6,347</b>	<b>-</b>	<b>66,015</b>
Excess (deficiency) of receipts over disbursements	(2,030)	5,622	(3,062)	300	313	-	2,083	2,450	4,376	9,144	5,042	24,238
<b>Other financing sources (uses):</b>												
Transfers out	-	-	-	-	-	-	-	-	(10,000)	-	-	(10,000)
Other receipts	172	-	-	-	-	-	-	-	-	-	-	172
<b>Total other financing sources (uses)</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>-</b>	<b>-</b>	<b>(9,828)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,858)	5,622	(3,062)	300	313	-	2,083	2,450	(5,624)	9,144	5,042	14,410
Cash and investment fund balance - beginning	49,884	5,011	5,785	-	1,182	700	8,873	2,729	19,162	38,724	8,362	140,412
Cash and investment fund balance - ending	\$ 48,026	\$ 10,633	\$ 2,723	\$ 300	\$ 1,495	\$ 700	\$ 10,956	\$ 5,179	\$ 13,538	\$ 47,868	\$ 13,404	\$ 154,822
<b>Cash and Investment Assets - Ending</b>												
Cash and investments	\$ 48,026	\$ -	\$ 2,723	\$ 300	\$ 1,495	\$ 700	\$ 10,956	\$ 5,179	\$ 13,538	\$ -	\$ 13,404	\$ 96,321
Restricted assets:												
Cash and investments	-	10,633	-	-	-	-	-	-	-	47,868	-	58,501
<b>Total cash and investment assets - ending</b>	<b>\$ 48,026</b>	<b>\$ 10,633</b>	<b>\$ 2,723</b>	<b>\$ 300</b>	<b>\$ 1,495</b>	<b>\$ 700</b>	<b>\$ 10,956</b>	<b>\$ 5,179</b>	<b>\$ 13,538</b>	<b>\$ 47,868</b>	<b>\$ 13,404</b>	<b>\$ 154,822</b>
<b>Cash and Investment Fund Balance - Ending</b>												
Restricted for:												
Highways and streets	\$ -	\$ 10,633	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,633
Capital outlay	-	-	-	-	-	-	-	-	-	47,868	-	47,868
Unrestricted	48,026	-	2,723	300	1,495	700	10,956	5,179	13,538	-	13,404	96,321
<b>Total cash and investment fund balance - ending</b>	<b>\$ 48,026</b>	<b>\$ 10,633</b>	<b>\$ 2,723</b>	<b>\$ 300</b>	<b>\$ 1,495</b>	<b>\$ 700</b>	<b>\$ 10,956</b>	<b>\$ 5,179</b>	<b>\$ 13,538</b>	<b>\$ 47,868</b>	<b>\$ 13,404</b>	<b>\$ 154,822</b>

TOWN OF REDKEY  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2009

	Payroll
Additions:	
Agency fund additions	\$ 209,559
Deductions:	
Agency fund deductions	209,045
Excess (deficiency) of total additions over total deductions	514
Cash and investment fund balance - beginning	3,790
Cash and investment fund balance - ending	\$ 4,304

TOWN OF REDKEY  
AUDIT RESULT AND COMMENT

NO CAPITAL ASSET RECORD

We noted a deficiency in the internal control system of the Town related to financial transactions and financial reporting. We believe the following deficiency constitutes a significant deficiency:

No Capital Asset Record: Town management does not maintain a record of capital assets. This increases the risk that capital asset transactions and balances will not be reported properly in its financial statements and reports.

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Redkey (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in item Finding 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit 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, the Town Council, 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. 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

May 20, 2010

TOWN OF REDKEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities Water System Improvements Project	10.760		\$ -	\$ 1,487,730
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
Community Development Block Grant/State's Program Water System Improvements Project	14.228	B09DC180001CF-07-303	-	499,999
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Department of Transportation				
Highway Planning and Construction Water System Improvements Project	20.205	Project #3568014	706,255	21,554
Total federal awards expended			<u>\$ 706,255</u>	<u>\$ 2,009,283</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF REDKEY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Redkey (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF REDKEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	no
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no
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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
14.228	Community Development Block Grant/State's Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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TOWN OF REDKEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs:

FINDING 2009-1 – NO CAPITAL ASSET RECORD

We noted a deficiency in the internal control system of the Town related to financial transactions and financial reporting. We believe the following deficiency constitutes a significant deficiency:

No Capital Asset Record: Town management does not maintain a record of capital assets. This increases the risk that capital asset transactions and balances will not be reported properly in its financial statements and reports.

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives.

TOWN OF REDKEY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF REDKEY  
OFFICE OF CLERK-TREASURER  
20 South Ash Street – P. O. Box 21  
Redkey, IN. 47373

May 27, 2010

State Board of Accounts  
302 West Washington Street  
RM E418  
Indianapolis, IN. 46204-2765

RE: Corrective Action Plan

To Whom It May Concern:

This letter will serve as an Official Response to the Audit Finding noted at our Exit Conference on May 20, 2010.

NO CAPITAL ASSET RECORD

The Clerk-Treasurer brought this to the Town Council's attention at the council meeting on May 20, 2010. The town council directed the Clerk-Treasurer to contact Mr. Ron Heller of Munitytics to do an infrastructure and capital asset valuation for the Town of Redkey. Mr. Heller has been contacted by E-mail and it is our desire to get this set up and completed as soon as possible.

Once the capital asset records have been set up we will continue to update the records to accurately reflect the Town's assets and strive to establish controls over these assets.

  
Sandra S. Kirby  
Clerk-Treasurer

  
Doug Stanley  
Town Council President

TOWN OF REDKEY  
EXIT CONFERENCE

The contents of this report were discussed on May 20, 2010, with Sandra S. Kirby, Clerk-Treasurer; and Doug Stanley, President of the Town Council.