

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF REDKEY

JAY COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
12/03/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra S. Kirby Debbie L. James	01-01-08 to 12-31-10 01-01-11 to 12-31-15
President of the Town Council	Doug D. Stanley Terri D. Taylor James D. Funkhouser Kyle R. Champ	01-01-10 to 07-14-10 07-15-10 to 03-16-11 03-17-11 to 08-31-11 09-01-11 to 12-31-12
Superintendent of Water Utility	William A. Tressler	01-01-10 to 12-31-12
Superintendent of Wastewater Utility	Violet K. Erlenbush	01-01-10 to 12-31-12



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the Town of Redkey (Town), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

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

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

November 12, 2012

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 98,854	\$ 368,434	\$ 368,307	\$ 98,981
Motor Vehicle Highway	48,026	47,192	55,554	39,664
Local Road and Street	10,633	5,668	15,797	504
Non Reverting Bond	700	-	-	700
Sanitation User Fee	23,511	69,919	64,891	28,539
Local Law Enforcement Continuing Education	1,495	1,554	1,023	2,026
LOIT Public Safety	5,179	3,203	-	8,382
Park and Recreation	2,723	8,779	3,738	7,764
Rainy Day	10,956	15,076	5,400	20,632
Cumulative Capital Improvement - Cigarette Tax	13,538	4,178	8,135	9,581
Cumulative Capital Improvement (Tax Levy)	47,868	13,847	6,335	55,380
Revolving Loan	13,404	5,911	9,800	9,515
Economic Development Income Tax	85,799	102,722	184,560	3,961
Donation	300	300	600	-
Property Clean Up	-	5,000	2,700	2,300
Brackney, Inc Retainage	-	27,173	27,173	-
Midstates Retainage	-	27,673	27,673	-
Phoenix Retainage	-	17,018	17,018	-
Levy Excess	-	507	-	507
Payroll	4,304	206,062	206,211	4,155
Sewage Utility Operating	69,613	168,293	143,358	94,548
Sewage Utility Debt Service Reserve	25,906	7,416	-	33,322
Sewage Utility Bond and Interest Sinking	29,704	37,570	36,464	30,810
Sewage Utility Separation	110,597	101,200	75,000	136,797
Water Utility Operating	100,115	246,961	223,306	123,770
Water Utility Debt Service Reserve	4,116	8,232	-	12,348
Water Utility Bond and Interest Sinking	39,396	78,638	70,191	47,843
Water Utility Depreciation	42,836	20,739	-	63,575
Water Utility Meter Deposit	23,188	7,500	9,742	20,946
Water Utility INDOT Project	1,311	-	1,311	-
USDA Loan	10,464	13,270	23,734	-
USDA Grant	-	134,200	134,200	-
Totals	<u>\$ 824,536</u>	<u>\$ 1,754,235</u>	<u>\$ 1,722,221</u>	<u>\$ 856,550</u>

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

TOWN OF REDKEY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 98,981	\$ 275,373	\$ 283,725	\$ 90,629
Motor Vehicle Highway	39,664	46,856	53,986	32,534
Local Road and Street	504	5,445	-	5,949
Non Reverting Bond	700	-	-	700
Sanitation User Fee	28,539	73,537	69,233	32,843
Local Law Enforcement Continuing Education	2,026	2,320	1,508	2,838
LOIT Public Safety	8,382	11,679	-	20,061
Park and Recreation	7,764	6,386	6,381	7,769
Rainy Day	20,632	-	-	20,632
Cumulative Capital Improvement - Cigarette Tax	9,581	4,098	-	13,679
Cumulative Capital Improvement (Tax Levy)	55,380	13,528	-	68,908
Revolving Loan	9,515	8,835	10,000	8,350
Economic Development Income Tax	3,961	12,477	14,309	2,129
Donation	-	885	-	885
Property Clean Up	2,300	-	-	2,300
Levy Excess	507	-	507	-
Payroll	4,155	219,122	222,112	1,165
Sewage Utility Operating	94,548	157,343	148,381	103,510
Sewage Utility Debt Service Reserve	33,322	6,798	-	40,120
Sewage Utility Bond and Interest Sinking	30,810	34,353	37,042	28,121
Sewage Utility Separation	136,797	31,067	5,230	162,634
Water Utility Operating	123,770	217,493	210,769	130,494
Water Utility Debt Service Reserve	12,348	7,546	-	19,894
Water Utility Bond and Interest Sinking	47,843	71,642	78,155	41,330
Water Utility Depreciation	63,575	13,032	-	76,607
Water Utility Meter Deposit	20,946	7,875	6,075	22,746
Totals	<u>\$ 856,550</u>	<u>\$ 1,227,690</u>	<u>\$ 1,147,413</u>	<u>\$ 936,827</u>

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

TOWN OF REDKEY
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment and housing.

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include the following sources:

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

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

TOWN OF REDKEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

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

TOWN OF REDKEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

TOWN OF REDKEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. *Risk Management*

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

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

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

	General	Motor Vehicle Highway	Local Road and Street	Non Reverting Bond	Sanitation User Fee	Local Law Enforcement Continuing Education	LOIT Public Safety
Cash and investments - beginning	\$ 98,854	\$ 48,026	\$ 10,633	\$ 700	\$ 23,511	\$ 1,495	\$ 5,179
Receipts:							
Taxes	173,424	-	-	-	-	-	3,149
Licenses and permits	-	-	-	-	-	630	-
Intergovernmental	90,315	45,581	5,668	-	-	-	-
Charges for services	9,789	-	-	-	67,724	225	-
Fines and forfeits	317	-	-	-	1,279	699	-
Utility fees	-	-	-	-	-	-	-
Other receipts	94,589	1,611	-	-	916	-	54
Total receipts	<u>368,434</u>	<u>47,192</u>	<u>5,668</u>	<u>-</u>	<u>69,919</u>	<u>1,554</u>	<u>3,203</u>
Disbursements:							
Personal services	146,779	32,116	-	-	-	-	-
Supplies	30,633	10,700	-	-	594	-	-
Other services and charges	97,132	12,738	15,797	-	64,297	1,023	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	5,291	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	88,472	-	-	-	-	-	-
Total disbursements	<u>368,307</u>	<u>55,554</u>	<u>15,797</u>	<u>-</u>	<u>64,891</u>	<u>1,023</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>127</u>	<u>(8,362)</u>	<u>(10,129)</u>	<u>-</u>	<u>5,028</u>	<u>531</u>	<u>3,203</u>
Cash and investments - ending	<u>\$ 98,981</u>	<u>\$ 39,664</u>	<u>\$ 504</u>	<u>\$ 700</u>	<u>\$ 28,539</u>	<u>\$ 2,026</u>	<u>\$ 8,382</u>

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

	Park and Recreation	Rainy Day	Cumulative Capital Improvement - Cigarette Tax	Cumulative Capital Improvement (Tax Levy)	Revolving Loan	Economic Development Income Tax	Donation
Cash and investments - beginning	\$ 2,723	\$ 10,956	\$ 13,538	\$ 47,868	\$ 13,404	\$ 85,799	\$ 300
Receipts:							
Taxes	7,561	-	-	11,927	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,218	12,576	4,178	1,920	-	29,318	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	2,500	-	-	5,911	73,404	300
Total receipts	<u>8,779</u>	<u>15,076</u>	<u>4,178</u>	<u>13,847</u>	<u>5,911</u>	<u>102,722</u>	<u>300</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	812	-	-	-	-	-	300
Other services and charges	2,926	5,400	8,135	-	-	12,787	300
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	6,335	-	171,773	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	9,800	-	-
Total disbursements	<u>3,738</u>	<u>5,400</u>	<u>8,135</u>	<u>6,335</u>	<u>9,800</u>	<u>184,560</u>	<u>600</u>
Excess (deficiency) of receipts over (under) disbursements	<u>5,041</u>	<u>9,676</u>	<u>(3,957)</u>	<u>7,512</u>	<u>(3,889)</u>	<u>(81,838)</u>	<u>(300)</u>
Cash and investments - ending	<u>\$ 7,764</u>	<u>\$ 20,632</u>	<u>\$ 9,581</u>	<u>\$ 55,380</u>	<u>\$ 9,515</u>	<u>\$ 3,961</u>	<u>\$ -</u>

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

	Property Clean Up	Brackney, Inc Retainage	Midstates Retainage	Phoenix Retainage	Levy Excess	Payroll	Sewage Utility Operating
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,304	\$ 69,613
Receipts:							
Taxes	-	-	-	-	507	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	5,000	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	166,569
Other receipts	-	27,173	27,673	17,018	-	206,062	1,724
Total receipts	<u>5,000</u>	<u>27,173</u>	<u>27,673</u>	<u>17,018</u>	<u>507</u>	<u>206,062</u>	<u>168,293</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	2,700	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	10,032
Utility operating expenses	-	-	-	-	-	-	76,632
Other disbursements	-	27,173	27,673	17,018	-	206,211	56,694
Total disbursements	<u>2,700</u>	<u>27,173</u>	<u>27,673</u>	<u>17,018</u>	<u>-</u>	<u>206,211</u>	<u>143,358</u>
Excess (deficiency) of receipts over (under) disbursements	<u>2,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507</u>	<u>(149)</u>	<u>24,935</u>
Cash and investments - ending	<u>\$ 2,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507</u>	<u>\$ 4,155</u>	<u>\$ 94,548</u>

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

	Sewage Utility Debt Service Reserve	Sewage Utility Bond and Interest Sinking	Sewage Utility Separation	Water Utility Operating	Water Utility Debt Service Reserve	Water Utility Bond and Interest Sinking
Cash and investments - beginning	\$ 25,906	\$ 29,704	\$ 110,597	\$ 100,115	\$ 4,116	\$ 39,396
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	26,200	232,827	-	-
Other receipts	7,416	37,570	75,000	14,134	8,232	78,638
Total receipts	<u>7,416</u>	<u>37,570</u>	<u>101,200</u>	<u>246,961</u>	<u>8,232</u>	<u>78,638</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	36,464	-	-	-	70,191
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	77,058	-	-
Other disbursements	-	-	75,000	146,248	-	-
Total disbursements	<u>-</u>	<u>36,464</u>	<u>75,000</u>	<u>223,306</u>	<u>-</u>	<u>70,191</u>
Excess (deficiency) of receipts over (under) disbursements	<u>7,416</u>	<u>1,106</u>	<u>26,200</u>	<u>23,655</u>	<u>8,232</u>	<u>8,447</u>
Cash and investments - ending	<u>\$ 33,322</u>	<u>\$ 30,810</u>	<u>\$ 136,797</u>	<u>\$ 123,770</u>	<u>\$ 12,348</u>	<u>\$ 47,843</u>

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

	Water Utility Depreciation	Water Utility Meter Deposit	Water Utility INDOT Project	USDA Loan	USDA Grant	Totals
Cash and investments - beginning	\$ 42,836	\$ 23,188	\$ 1,311	\$ 10,464	\$ -	\$ 824,536
Receipts:						
Taxes	-	-	-	-	-	196,568
Licenses and permits	-	-	-	-	-	630
Intergovernmental	-	-	-	13,270	134,200	343,244
Charges for services	-	-	-	-	-	77,738
Fines and forfeits	-	-	-	-	-	2,295
Utility fees	-	-	-	-	-	425,596
Other receipts	20,739	7,500	-	-	-	708,164
Total receipts	20,739	7,500	-	13,270	134,200	1,754,235
Disbursements:						
Personal services	-	-	-	-	-	178,895
Supplies	-	-	-	-	-	43,039
Other services and charges	-	-	-	-	-	223,235
Debt service - principal and interest	-	-	-	-	-	106,655
Capital outlay	-	-	1,311	23,734	134,200	352,676
Utility operating expenses	-	9,742	-	-	-	163,432
Other disbursements	-	-	-	-	-	654,289
Total disbursements	-	9,742	1,311	23,734	134,200	1,722,221
Excess (deficiency) of receipts over (under) disbursements	20,739	(2,242)	(1,311)	(10,464)	-	32,014
Cash and investments - ending	\$ 63,575	\$ 20,946	\$ -	\$ -	\$ -	\$ 856,550

TOWN OF REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road and Street	Non Reverting Bond	Sanitation User Fee	Local Law Enforcement Continuing Education	LOIT Public Safety
Cash and investments - beginning	\$ 98,981	\$ 39,664	\$ 504	\$ 700	\$ 28,539	\$ 2,026	\$ 8,382
Receipts:							
Taxes	220,250	9,495	-	-	-	-	-
Licenses and permits	-	-	-	-	-	450	-
Intergovernmental	33,036	37,361	5,445	-	-	-	11,679
Charges for services	7,709	-	-	-	72,911	-	-
Fines and forfeits	116	-	-	-	-	1,723	-
Utility fees	-	-	-	-	-	-	-
Other receipts	14,262	-	-	-	626	147	-
Total receipts	<u>275,373</u>	<u>46,856</u>	<u>5,445</u>	<u>-</u>	<u>73,537</u>	<u>2,320</u>	<u>11,679</u>
Disbursements:							
Personal services	159,402	29,319	-	-	-	-	-
Supplies	31,377	14,725	-	-	2,322	-	-
Other services and charges	88,385	9,942	-	-	66,911	1,508	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	4,561	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>283,725</u>	<u>53,986</u>	<u>-</u>	<u>-</u>	<u>69,233</u>	<u>1,508</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(8,352)</u>	<u>(7,130)</u>	<u>5,445</u>	<u>-</u>	<u>4,304</u>	<u>812</u>	<u>11,679</u>
Cash and investments - ending	<u>\$ 90,629</u>	<u>\$ 32,534</u>	<u>\$ 5,949</u>	<u>\$ 700</u>	<u>\$ 32,843</u>	<u>\$ 2,838</u>	<u>\$ 20,061</u>

TOWN OF REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Park and Recreation	Rainy Day	Cumulative Capital Improvement - Cigarette Tax	Cumulative Capital Improvement (Tax Levy)	Revolving Loan	Economic Development Income Tax	Donation
Cash and investments - beginning	\$ 7,764	\$ 20,632	\$ 9,581	\$ 55,380	\$ 9,515	\$ 3,961	\$ -
Receipts:							
Taxes	-	-	-	13,267	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	123	-	4,098	261	-	12,477	-
Charges for services	5,471	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	792	-	-	-	8,835	-	885
Total receipts	6,386	-	4,098	13,528	8,835	12,477	885
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	1,055	-	-	-	-	-	-
Other services and charges	5,326	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	14,309	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	10,000	-	-
Total disbursements	6,381	-	-	-	10,000	14,309	-
Excess (deficiency) of receipts over (under) disbursements	5	-	4,098	13,528	(1,165)	(1,832)	885
Cash and investments - ending	\$ 7,769	\$ 20,632	\$ 13,679	\$ 68,908	\$ 8,350	\$ 2,129	\$ 885

TOWN OF REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Property Clean Up	Levy Excess	Payroll	Sewage Utility Operating	Sewage Utility Debt Service Reserve	Sewage Utility Bond and Interest Sinking	Sewage Utility Separation
Cash and investments - beginning	\$ 2,300	\$ 507	\$ 4,155	\$ 94,548	\$ 33,322	\$ 30,810	\$ 136,797
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	155,967	-	-	-
Other receipts	-	-	219,122	1,376	6,798	34,353	31,067
Total receipts	-	-	219,122	157,343	6,798	34,353	31,067
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	37,042	-
Capital outlay	-	-	-	16,306	-	-	-
Utility operating expenses	-	-	-	90,924	-	-	-
Other disbursements	-	507	222,112	41,151	-	-	5,230
Total disbursements	-	507	222,112	148,381	-	37,042	5,230
Excess (deficiency) of receipts over (under) disbursements	-	(507)	(2,990)	8,962	6,798	(2,689)	25,837
Cash and investments - ending	\$ 2,300	\$ -	\$ 1,165	\$ 103,510	\$ 40,120	\$ 28,121	\$ 162,634

TOWN OF REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Utility Operating	Water Utility Debt Service Reserve	Water Utility Bond and Interest Sinking	Water Utility Depreciation	Water Utility Meter Deposit	Totals
Cash and investments - beginning	\$ 123,770	\$ 12,348	\$ 47,843	\$ 63,575	\$ 20,946	\$ 856,550
Receipts:						
Taxes	-	-	-	-	-	243,012
Licenses and permits	-	-	-	-	-	450
Intergovernmental	-	-	-	-	-	104,480
Charges for services	-	-	-	-	-	86,091
Fines and forfeits	-	-	-	-	-	1,839
Utility fees	13,534	-	-	-	-	169,501
Other receipts	<u>203,959</u>	<u>7,546</u>	<u>71,642</u>	<u>13,032</u>	<u>7,875</u>	<u>622,317</u>
Total receipts	<u>217,493</u>	<u>7,546</u>	<u>71,642</u>	<u>13,032</u>	<u>7,875</u>	<u>1,227,690</u>
Disbursements:						
Personal services	-	-	-	-	-	188,721
Supplies	-	-	-	-	-	49,479
Other services and charges	-	-	-	-	-	172,072
Debt service - principal and interest	-	-	78,155	-	-	115,197
Capital outlay	-	-	-	-	-	35,176
Utility operating expenses	118,549	-	-	-	-	209,473
Other disbursements	<u>92,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,075</u>	<u>377,295</u>
Total disbursements	<u>210,769</u>	<u>-</u>	<u>78,155</u>	<u>-</u>	<u>6,075</u>	<u>1,147,413</u>
Excess (deficiency) of receipts over (under) disbursements	<u>6,724</u>	<u>7,546</u>	<u>(6,513)</u>	<u>13,032</u>	<u>1,800</u>	<u>80,277</u>
Cash and investments - ending	<u>\$ 130,494</u>	<u>\$ 19,894</u>	<u>\$ 41,330</u>	<u>\$ 76,607</u>	<u>\$ 22,746</u>	<u>\$ 936,827</u>

TOWN OF REDKEY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 6,119	\$ 2,092
Wastewater	-	17,490
Water	-	5,799
Totals	\$ 6,119	\$ 25,381

TOWN OF REDKEY
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: State of Indiana	Police Dept/Clerks Office	<u>\$ 1</u>	09-01-11	09-01-21

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: General obligation bonds	Municipal Sewage Works	\$ 160,000	\$ 36,516
Water: General obligation bonds	Waterworks Revenue Bonds	<u>1,471,000</u>	<u>78,518</u>
Totals		<u>\$ 1,631,000</u>	<u>\$ 115,034</u>

TOWN OF REDKEY
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 1,393,657
Infrastructure	2,415,786
Buildings	341,336
Improvements other than buildings	44,230
Machinery, equipment and vehicles	591,730
Total governmental activities	4,786,739
Wastewater:	
Land	41,796
Buildings	12,000
Machinery, equipment and vehicles	1,108,488
Total Wastewater	1,162,284
Water:	
Land	13,922
Buildings	247,570
Machinery, equipment and vehicles	1,949,241
Total Water	2,210,733
Total capital assets	\$ 8,159,756

TOWN OF REDKEY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were incorrect for 2011. Electronic fund withdraws for debt payments and payroll-related book transfers were not properly posted. Adjusting entries totaling \$70,222 were given to the Clerk-Treasurer to bring the fund balances into reconciliation with the bank account balances.

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

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

UTILITY RECEIPTS TAX

The Water Utility underpaid the Utility Receipts Tax to the Indiana Department of Revenue by \$1,099 for the year 2011.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

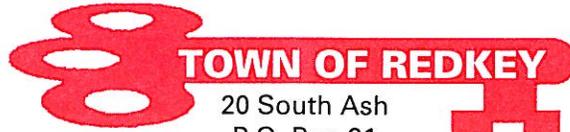
HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town of Redkey owes the Water Utility hydrant rental of \$7,300 for the year 2011 pursuant to Rate Ordinance 1999-1 passed by the Council on December 28, 1999.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF REDKEY
EXIT CONFERENCE

The contents of this report were discussed on November 12, 2012, with Debbie L. James, Clerk-Treasurer, and Sandra S. Kirby, former Clerk-Treasurer. The Official Response has been made a part of this report and may be found on page 28.



20 South Ash
P.O. Box 21
Redkey, IN 47373
PH. (765) 369-2711 Fax (765) 369-8282

November 20, 2012

Gary W DeWitt
11768 N Roanoke Rd
Roanoke, IN 46783-9409

Dear Gary,

During my recent audit from the State Board of Accounts, there were some mistakes found. With Marcia's wonderful help, I have corrected each mistake.

My books are now balanced with my bank statement. I was unaware of the current balance needing to equal the fund report. The Town of Redkey has Keystone and I assumed that all funds were correct because I never received an error message when reconciling. (Normally in Keystone the program will not allow you to go to the next step if something is wrong). I am very grateful for all the extra time Marcia took upon herself to help me get this situation corrected. I will continue to make sure the current balance equals the fund report. I am sorry for this error.

Also, I have made note for 2013 that the Hydrant Rental needs to be paid each year. I have paid the 2011 Hydrant Rental that I had forgotten and also 2012 Hydrant Rental. I feel I had forgotten this because of not actually having a bill in hand to pay. I have corrected this error and will continue to pay on a timely manner.

I had also underpaid my Utility Receipts Tax for the year 2011. I wrote a letter to the Indiana Department of Revenue explaining my situation and they have taken off the penalty and I paid the interest portion myself. This error too will not happen in the future.

Again, I want to thank you for your patience with me as a new clerk in 2011 and I feel I have taken the steps to correct the issues that was found in the audit. I appreciate all the help and care I received from Marcia during her time here with me and also for helping me to finally get the correct information where it needed to me.

For future years, I will be more efficient and will do my work in a timely manner.

Sincerely,

Debbie James
Clerk Treasurer
Town of Redkey