

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

COMPLIANCE ENGAGEMENT REPORT

OF

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY

MONTGOMERY COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED

09/30/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Jennifer Andel Mindy Byers	06-11-18 to 12-31-22 01-01-23 to 12-31-24
President of the Redevelopment Authority Board	John Frey	06-11-18 to 12-31-24



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MONTGOMERY COUNTY REDEVELOPMENT
AUTHORITY, MONTGOMERY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Montgomery County Redevelopment Authority (Authority), for the period of January 1, 2018 to December 31, 2022. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the Authority as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the Authority's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Mindy Byers, Fiscal Officer and County Auditor; Jennifer Andel, former Fiscal Officer; John Frey, President of the Redevelopment Authority Board; Greg Morrison, Redevelopment Authority Board member; Jake Bohlander, County Council member; Steve Loy, County Council member; and Dan Taylor, County Attorney, on September 26, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

September 26, 2024

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The Authority had not established effective internal controls over the preparation of the AFR entered into Gateway to ensure information entered into Gateway was accurate. Due to the lack of effective internal controls, the AFR information entered into Gateway as of December 31, 2022, included the following errors:

Financial Statement

Some transactions of the RDA 2018 Construction Account, RDA MOCO 2018 DSR Fund, RDA MOCO 2018 Bond Interest Fund, RDA 2018 Sinking Fund, RDA P & I 2018, RDA 2022 Project L/R, and RDA 2022 Bond Int (TS) funds were not recorded in the proper audit period. The transactions were recorded in the period when the bank statement containing the transactions was received rather than the period in which the transactions occurred. The following schedule shows the over (under) statements for each year:

2018 Financial Statement Over (Under) Stated				
Fund	Beginning Balance	Receipts	Disbursements	Ending Balance
RDA 2018 Construction Account	\$ -	\$ (7,925)	\$ (361,314)	\$ 353,389
RDA MOCO 2018 DSR Fund	-	(420)	(899)	479
RDA MOCO 2018 Bond Interest Fund	-	(537)	-	(537)
RDA 2018 Sinking Fund	-	(39,149)	-	(39,149)
Totals	<u>\$ -</u>	<u>\$ (48,031)</u>	<u>\$ (362,213)</u>	<u>\$ 314,182</u>

2019 Financial Statement Over (Under) Stated				
Fund	Beginning Balance	Receipts	Disbursements	Ending Balance
RDA 2018 Construction Account	\$ 353,389	\$ 7,925	\$ 361,313	\$ 1
RDA MOCO 2018 DSR Fund	479	38,671	899	38,251
RDA MOCO 2018 Bond Interest Fund	(537)	537	-	-
RDA 2018 Sinking Fund	(39,149)	42,070	2,921	-
Totals	<u>\$ 314,182</u>	<u>\$ 89,203</u>	<u>\$ 365,133</u>	<u>\$ 38,252</u>

2020 Financial Statement Over (Under) Stated				
Fund	Beginning Balance	Receipts	Disbursements	Ending Balance
RDA 2018 Construction Account	\$ 1	\$ -	\$ (131,006)	\$ 131,007
RDA MOCO 2018 DSR Fund	38,251	-	(239,785)	278,036
RDA MOCO 2018 Bond Interest Fund	-	-	(12,426)	12,426
RDA 2018 Sinking Fund	-	(640,053)	(331,500)	(308,553)
Totals	<u>\$ 38,252</u>	<u>\$ (640,053)</u>	<u>\$ (714,717)</u>	<u>\$ 112,916</u>

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
 COMMENTS
 (Continued)

2021 Financial Statement Over (Under) Stated

Fund	Beginning Balance	Receipts	Disbursements	Ending Balance
RDA 2018 Construction Account	\$ 131,007	\$ -	\$ 131,006	\$ 1
RDA MOCO 2018 DSR Fund	278,036	-	278,035	1
RDA MOCO 2018 Bond Interest Fund	12,426	-	12,427	(1)
RDA 2018 Sinking Fund	(308,553)	640,050	331,500	(3)
Totals	<u>\$ 112,916</u>	<u>\$ 640,050</u>	<u>\$ 752,968</u>	<u>\$ (2)</u>

2022 Financial Statement Over (Under) Stated

Fund	Beginning Balance	Receipts	Disbursements	Ending Balance
RDA P & I 2018	\$ 1	\$ (75,080)	\$ -	\$ (75,079)
RDA 2022 Project L/R	1	(652,589)	(1,319,372)	666,784
RDA 2022 Bond Int (TS)	(1)	(1,075)	-	(1,076)
RDA 2018 Sinking Fund	(3)	(146,705)	(75,072)	(71,636)
Totals	<u>\$ (2)</u>	<u>\$ (875,449)</u>	<u>\$ (1,394,444)</u>	<u>\$ 518,993</u>

Adjustments were proposed, accepted by the Treasurer, and made to the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis included in this report.

Schedule of Capital Assets

Capital assets were reported in the amounts of \$0, \$0, \$5,163,627, \$4,986,000, and \$11,197,906 as of December 31, 2018, 2019, 2020, 2021, and 2022, respectively. The Authority did not provide a detailed listing of capital assets to support these amounts.

Schedule of Leases and Debt

Leases and debt reported in Gateway did not agree to Authority records. The following schedule shows the over (under) statements:

Debt Issue	Year	Over (Under) Statement Ending Balance at December 31
Expansion of Sewer Collection System	2018	\$ 525,457
Expansion of Sewer Collection System	2019	525,454
Expansion of Sewer Collection System	2020	525,466
Expansion of Water Service in TS area	2022	(76,029)

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
COMMENTS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

ANNUAL FINANCIAL REPORT - LATE SUBMISSION

Condition and Context

Internal controls were not in place to ensure that the Authority complied with the Annual Financial Report (AFR) filing deadlines which require that the AFR be filed 60 days after the close of each fiscal year. The Authority activity was originally reported as a part of the annual financial report of the County, rather than as a separate entity. The Authority filed the reports as a separate entity for the 2018 and 2019 AFRs on February 26, 2021, which was 728 and 361 days late, respectively.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
COMMENTS
(Continued)

TIMELY RECORDKEEPING

Condition and Context

Transactions of the Authority related to debt were posted from the bank statements in the period in which the bank statements were received rather than the period when the transactions occurred. This resulted in some transactions being reported in the wrong year's financial report.

In addition, two of fifteen bank reconciliations tested for these accounts were not completed in a timely manner.

Criteria

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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."

100R - CERTIFIED REPORT FILED AFTER DUE DATE

Condition and Context

The Authority originally included its employees on the Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) of the County rather than filing a separate report for the Authority. A separate report for the Authority for 2018, 2019, and 2020 was not filed electronically until March 18, 2021, which was 777 days, 412 days and 45 days, respectively, past the due date.

Criteria

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
COMMENTS
(Continued)

ADOPTION OF INTERNAL CONTROL STANDARDS

Condition and Context

Internal controls were not in place to ensure that the Authority complied with laws and regulations regarding internal control standards. The Authority had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
COMMENTS
(Continued)

BOARD MINUTES MISSING

Condition and Context

The Authority did not present Authority Board minutes for the periods of July 23, 2018 to December 19, 2018, and October 16, 2019 to February 9, 2022. We were unable to determine whether meetings were held during these time periods except for the meeting held on August 13, 2018, for which the approval of minutes was shown in the minutes dated February 9, 2022. Minutes for August 13, 2018, were not presented for audit nor was there any indication why the minutes were not approved until 2022 when there were documented meetings prior to that date.

Criteria

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

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

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

CAPITAL ASSETS

Condition and Context

The Authority had not adopted a capital asset policy that detailed the threshold at which an item was considered a capital asset. All units are required to have a capital asset policy even if they do not own any assets. Additionally, a listing of capital assets was not provided by the Authority and a physical inventory of all assets owned was not taken at least every two years. Assets reported by the Authority in the Annual Financial Report submission on Indiana Gateway for Government Units financial reporting system were \$0, \$0, \$5,163,627; \$4,986,000; and \$11,197,906 at December 31, 2018, 2019, 2020, 2021, and 2022, respectively.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
COMMENTS
(Continued)

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Authority certified on the Indiana Gateway for Government Units financial reporting system in 2021 and 2022 that the Authority had adopted internal control standards when the Authority had not actually adopted the standards.

Context

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2018 and 2019

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18	Receipts	Disbursements	Cash and Investments 12-31-19
RDA 2018 Construction Account	\$ -	\$ 6,038,081	\$ 1,161,361	\$ 4,876,720	\$ 55,598	\$ 4,662,618	\$ 269,700
RDA MOCO 2018 DSR Fund	-	277,899	899	277,000	5,292	5,292	277,000
RDA MOCO 2018 Bond Interest Fund	-	354,737	-	354,737	4,651	221,189	138,199
RDA 2018 Sinking Fund	-	39,149	-	39,149	95,073	128,839	5,383
Totals	<u>\$ -</u>	<u>\$ 6,709,866</u>	<u>\$ 1,162,260</u>	<u>\$ 5,547,606</u>	<u>\$ 160,614</u>	<u>\$ 5,017,938</u>	<u>\$ 690,282</u>

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
RDA 2018 Sinking Fund	\$ 5,383	\$ 766,170	\$ 463,000	\$ 308,553	\$ 129,059	\$ 255,000	\$ 182,612
RDA 2018 Construction Account	269,700	1,003	270,703	-	-	-	-
RDA MOCO 2018 DSR Fund	277,000	1,035	278,035	-	-	-	-
RDA MOCO 2018 Bond Interest Fund	138,199	332	138,531	-	-	-	-
RDA DS Reserve 2018	-	-	-	-	2,182,375	2,182,375	-
RDA P & I 2018	-	-	-	-	2,185,376	2,182,375	3,001
Totals	<u>\$ 690,282</u>	<u>\$ 768,540</u>	<u>\$ 1,150,269</u>	<u>\$ 308,553</u>	<u>\$ 4,496,810</u>	<u>\$ 4,619,750</u>	<u>\$ 185,613</u>

MONTGOMERY COUNTY REDEVELOPMENT AUTHORITY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2022

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22
RDA 2018 Sinking Fund	\$ 182,613	\$ 293,959	\$ 330,072	\$ 146,500
RDA P & I 2018	3,001	75,104	-	78,105
RDA 2022 PROJECT L/R	-	7,386,712	7,302,566	84,146
RDA 2022 BD ISS EXP L/R (TS)	-	146,604	146,604	-
RDA 2022 BOND INT (TS)	-	482,605	76,029	406,576
RDA 2022 SINKING FUND (TS)	-	76,029	76,029	-
Totals	<u>\$ 185,614</u>	<u>\$ 8,461,013</u>	<u>\$ 7,931,300</u>	<u>\$ 715,327</u>