

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF ALBANY
DELAWARE COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
08/02/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcie J. Schlosser	01-01-16 to 12-31-19
President of the Town Council	Philip Evans	01-01-17 to 12-31-18



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ALBANY, DELAWARE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Albany (Town), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2017.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2017, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of 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 statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 5, 2018, 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 solely 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 effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

July 5, 2018



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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE TOWN OF ALBANY, DELAWARE COUNTY, INDIANA

We have audited, 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, the financial statement of the Town of Albany (Town), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement, and have issued our report thereon dated July 5, 2018, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002, that we consider to be material weaknesses.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Town's financial statement is 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*.

Town of Albany's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

July 5, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TOWN OF ALBANY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2017

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17
GENERAL	\$ 178,106	\$ 551,380	\$ 443,497	\$ 285,989
MOTOR VEHICLE HIGHWAY	246,779	120,682	51,052	316,409
LOCAL ROAD AND STREET	28,766	23,351	-	52,117
DELAWARE & RANDOLPH EDIT	405,620	1,164	4,400	402,384
RIVERBOAT WAGER TX REV SH	37,468	12,825	10,137	40,156
PARK	98,058	-	9,343	88,715
RAINY DAY	3,779	-	20	3,759
LOIT SPECIAL DISTRIBUTION	10,586	-	-	10,586
LEVY EXCESS	31	-	-	31
CUM. CAP. DEVELOPMENT	135,734	24,415	-	160,149
REDEVELOPMENT CAPITAL	-	85	-	85
FIRE	43,131	88,406	74,037	57,500
CUM. CAP. IMP.	24,560	5,265	2,681	27,144
FIREWORKS DONATIONS	350	4,650	5,000	-
LAW ENFORMENT CONT ED	5,910	860	2,619	4,151
POLICE DONATIONS	568	-	564	4
PAYROLL/NET SALARIES	-	310,308	310,308	-
PAYROLL/ FEDERAL TAX	-	56,926	56,926	-
PAYROLL/TWN SHARE SOC SEC	-	27,299	27,299	-
PAYROLL/EMP SHARE SOC SEC	-	27,299	27,299	-
PAYROLL/ STATE TAXES	-	14,301	14,301	-
PAYROLL/ COUNTY TAXES	-	7,377	7,377	-
PAYROLL/TWN SHARE MEDICARE	-	6,384	6,384	-
PAYROLL/EMP SHARE MEDICARE	-	6,384	6,384	-
PAYROLL/ CHILD SUPPRT	-	1,212	1,212	-
PERF/ EMPLOYEE PORTION	-	11,872	11,872	-
PERF/TOWN PORTION	-	44,326	44,326	-
VOLUNTARY PERF DEDUCTION	-	4,618	4,618	-
STORM WATER UTL - OPER	294,979	186,445	219,047	262,377
STORM WATER DEPRECIATION	278,346	85,080	1,213	362,213
STORM WATER DEBT RESERVE	127,838	-	-	127,838
STORM WATER BOND & INT	77,629	122,400	119,478	80,551
TRASH UTL - OPERATING	60,749	121,257	120,449	61,557
SEWAGE UTILITY OPERATING	320,297	711,582	599,582	432,297
SEWAGE DEPRECIATION	322,351	153,600	295,395	180,556
SEWAGE BOND & INTEREST	154,799	246,000	237,533	163,266
SEWAGE DEBT RESERVE	259,238	-	-	259,238
SEWAGE POST- CONSTRUCTION	-	1,582,881	1,154,700	428,181
WATER UTILITY - OPERATING	192,013	447,056	497,772	141,297
WATER UTL CUST DEPOSIT	93,540	11,850	9,031	96,359
WATER DEPR/ IMPROVEMENT	235,708	125,736	79,763	281,681
WATER DEBT RESERVE	48,094	-	-	48,094
WATER UTL BOND & INT	133,242	123,732	121,544	135,430
WATER DEBT SERVICE	82,900	8,580	-	91,480
Totals	<u>\$ 3,901,169</u>	<u>\$ 5,277,588</u>	<u>\$ 4,577,163</u>	<u>\$ 4,601,594</u>

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

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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).

Utility fees. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but 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 statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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.

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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 ALBANY
NOTES TO FINANCIAL STATEMENT
(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, the following: 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF ALBANY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

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

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

TOWN OF ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	GENERAL	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	DELAWARE & RANDOLPH EDIT	RIVERBOAT WAGER TX REV SH
Cash and investments - beginning	\$ 178,106	\$ 246,779	\$ 28,766	\$ 405,620	\$ 37,468
Receipts:					
Taxes	437,362	-	-	1,164	-
Licenses and permits	21,655	-	-	-	-
Intergovernmental receipts	57,562	97,873	23,351	-	12,825
Charges for services	-	22,809	-	-	-
Fines and forfeits	993	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	33,808	-	-	-	-
Total receipts	551,380	120,682	23,351	1,164	12,825
Disbursements:					
Personal services	241,714	7,435	-	-	-
Supplies	38,879	19,345	-	-	-
Other services and charges	81,227	22,846	-	4,400	2,637
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	7,500
Utility operating expenses	-	-	-	-	-
Other disbursements	81,677	1,426	-	-	-
Total disbursements	443,497	51,052	-	4,400	10,137
Excess (deficiency) of receipts over disbursements	107,883	69,630	23,351	(3,236)	2,688
Cash and investments - ending	\$ 285,989	\$ 316,409	\$ 52,117	\$ 402,384	\$ 40,156

TOWN OF ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	<u>PARK</u>	<u>RAINY DAY</u>	<u>LOIT SPECIAL DISTRIBUTION</u>	<u>LEVY EXCESS</u>	<u>CUM. CAP. DEVELOPMENT</u>
Cash and investments - beginning	\$ 98,058	\$ 3,779	\$ 10,586	\$ 31	\$ 135,734
Receipts:					
Taxes	-	-	-	-	24,415
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	-	-	-	-
Total receipts	-	-	-	-	24,415
Disbursements:					
Personal services	-	-	-	-	-
Supplies	4,861	-	-	-	-
Other services and charges	4,482	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	20	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	-	-	-
Total disbursements	9,343	20	-	-	-
Excess (deficiency) of receipts over disbursements	(9,343)	(20)	-	-	24,415
Cash and investments - ending	\$ 88,715	\$ 3,759	\$ 10,586	\$ 31	\$ 160,149

TOWN OF ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	REDEVELOPMENT CAPITAL	FIRE	CUM. CAP. IMP.	FIREWORKS DONATIONS	LAW ENFORC MENT CONT ED
Cash and investments - beginning	\$ -	\$ 43,131	\$ 24,560	\$ 350	\$ 5,910
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	710
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	88,406	-	-	80
Fines and forfeits	-	-	-	-	70
Utility fees	-	-	-	-	-
Other receipts	85	-	5,265	4,650	-
Total receipts	85	88,406	5,265	4,650	860
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	21,949	-	-	-
Other services and charges	-	16,922	-	5,000	2,619
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	22,448	2,681	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	12,718	-	-	-
Total disbursements	-	74,037	2,681	5,000	2,619
Excess (deficiency) of receipts over disbursements	85	14,369	2,584	(350)	(1,759)
Cash and investments - ending	\$ 85	\$ 57,500	\$ 27,144	\$ -	\$ 4,151

TOWN OF ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	POLICE DONATIONS	PAYROLL/NET SALARIES	PAYROLL/ FEDERAL TAX	PAYROLL/TWN SHARE SOC SEC	PAYROLL/EMP SHARE SOC SEC
Cash and investments - beginning	\$ 568	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	-	310,308	56,926	27,299	27,299
Total receipts	-	310,308	56,926	27,299	27,299
Disbursements:					
Personal services	-	310,308	-	-	-
Supplies	-	-	-	-	-
Other services and charges	564	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	-	56,926	27,299	27,299
Total disbursements	564	310,308	56,926	27,299	27,299
Excess (deficiency) of receipts over disbursements	(564)	-	-	-	-
Cash and investments - ending	\$ 4	\$ -	\$ -	\$ -	\$ -

TOWN OF ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	PAYROLL/ STATE TAXES	PAYROLL/ COUNTY TAXES	PAYROLL/TWN SHARE MEDICARE	PAYROLL/EMP SHARE MEDICARE	PAYROLL/ CHILD SUPPRT
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	14,301	7,377	6,384	6,384	1,212
Total receipts	14,301	7,377	6,384	6,384	1,212
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	14,301	7,377	6,384	6,384	1,212
Total disbursements	14,301	7,377	6,384	6,384	1,212
Excess (deficiency) of receipts over disbursements	-	-	-	-	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	PERF/ EMPLOYEE PORTION	PERF/TOWN PORTION	VOLUNTARY PERF DEDUCTION	STORM WATER UTL - OPER	STORM WATER DEPRECIATION
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 294,979	\$ 278,346
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	184,102	-
Other receipts	11,872	44,326	4,618	2,343	85,080
Total receipts	11,872	44,326	4,618	186,445	85,080
Disbursements:					
Personal services	-	-	-	6,671	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	99	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	3,618	-
Other disbursements	11,872	44,326	4,618	208,659	1,213
Total disbursements	11,872	44,326	4,618	219,047	1,213
Excess (deficiency) of receipts over disbursements	-	-	-	(32,602)	83,867
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 262,377	\$ 362,213

TOWN OF ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	STORM WATER DEBT RESERVE	STORM WATER BOND & INT	TRASH UTL - OPERATING	SEWAGE UTILITY OPERATING	SEWAGE DEPRECIATION
Cash and investments - beginning	\$ 127,838	\$ 77,629	\$ 60,749	\$ 320,297	\$ 322,351
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	121,242	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	708,118	-
Other receipts	-	122,400	15	3,464	153,600
Total receipts	-	122,400	121,257	711,582	153,600
Disbursements:					
Personal services	-	-	-	102,973	-
Supplies	-	-	-	-	-
Other services and charges	-	-	120,449	10,567	-
Debt service - principal and interest	-	119,478	-	-	-
Capital outlay	-	-	-	-	42,594
Utility operating expenses	-	-	-	72,007	-
Other disbursements	-	-	-	414,035	252,801
Total disbursements	-	119,478	120,449	599,582	295,395
Excess (deficiency) of receipts over disbursements	-	2,922	808	112,000	(141,795)
Cash and investments - ending	\$ 127,838	\$ 80,551	\$ 61,557	\$ 432,297	\$ 180,556

TOWN OF ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	SEWAGE BOND & INTEREST	SEWAGE DEBT RESERVE	SEWAGE POST- CONSTRUCTION	WATER UTILITY - OPERATING	WATER UTL CUST DEPOSIT
Cash and investments - beginning	\$ 154,799	\$ 259,238	\$ -	\$ 192,013	\$ 93,540
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	428,314	-
Other receipts	246,000	-	1,582,881	18,742	11,850
Total receipts	<u>246,000</u>	<u>-</u>	<u>1,582,881</u>	<u>447,056</u>	<u>11,850</u>
Disbursements:					
Personal services	-	-	-	109,026	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	8,782	-
Debt service - principal and interest	237,533	-	-	-	-
Capital outlay	-	-	1,154,700	-	-
Utility operating expenses	-	-	-	89,416	-
Other disbursements	-	-	-	290,548	9,031
Total disbursements	<u>237,533</u>	<u>-</u>	<u>1,154,700</u>	<u>497,772</u>	<u>9,031</u>
Excess (deficiency) of receipts over disbursements	<u>8,467</u>	<u>-</u>	<u>428,181</u>	<u>(50,716)</u>	<u>2,819</u>
Cash and investments - ending	<u>\$ 163,266</u>	<u>\$ 259,238</u>	<u>\$ 428,181</u>	<u>\$ 141,297</u>	<u>\$ 96,359</u>

TOWN OF ALBANY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	WATER DEPR/ IMPROVEMENT	WATER DEBT RESERVE	WATER UTL BOND & INT	WATER DEBT SERVICE	Totals
Cash and investments - beginning	\$ 235,708	\$ 48,094	\$ 133,242	\$ 82,900	\$ 3,901,169
Receipts:					
Taxes	-	-	-	-	462,941
Licenses and permits	-	-	-	-	22,365
Intergovernmental receipts	-	-	-	-	191,611
Charges for services	-	-	-	-	232,537
Fines and forfeits	-	-	-	-	1,063
Utility fees	-	-	-	-	1,320,534
Other receipts	125,736	-	123,732	8,580	3,046,537
Total receipts	125,736	-	123,732	8,580	5,277,588
Disbursements:					
Personal services	-	-	-	-	778,127
Supplies	-	-	-	-	85,034
Other services and charges	-	-	-	-	280,594
Debt service - principal and interest	-	-	121,544	-	478,555
Capital outlay	-	-	-	-	1,229,943
Utility operating expenses	79,763	-	-	-	244,804
Other disbursements	-	-	-	-	1,480,106
Total disbursements	79,763	-	121,544	-	4,577,163
Excess (deficiency) of receipts over disbursements	45,973	-	2,188	8,580	700,425
Cash and investments - ending	\$ 281,681	\$ 48,094	\$ 135,430	\$ 91,480	\$ 4,601,594

TOWN OF ALBANY
SCHEDULE OF RECEIVABLES
December 31, 2017

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Storm Water	\$ 9,783
Trash	5,343
Wastewater	19,531
Water	<u>15,360</u>
Totals	<u>\$ 50,017</u>

TOWN OF ALBANY
SCHEDULE OF LEASES AND DEBT
December 31, 2017

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Storm Water:			
Notes and loans payable	Storm Water system improvements & construction	\$ 1,325,000	\$ 117,193
Wastewater:			
Notes and loans payable	Sewage system improvements & construction	2,600,000	242,889
Notes and loans payable	Sewage system improvements & construction	1,330,081	*
Total Wastewater		3,930,081	242,889
Water:			
Notes and loans payable	Drinking water system improvements & construction	2,860,000	122,350
Totals		\$ 8,115,081	\$ 482,432

* Project not complete, amortization schedule not available

TOWN OF ALBANY
SCHEDULE OF CAPITAL ASSETS
December 31, 2017

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	\$ 233,627
Infrastructure	84,511
Buildings	414,257
Improvements other than buildings	51,114
Machinery, equipment, and vehicles	<u>882,878</u>
Total Governmental activities	<u>1,666,387</u>
Storm Water:	
Land	60,938
Infrastructure	2,628,518
Machinery, equipment, and vehicles	<u>104,016</u>
Total Storm Water	<u>2,793,472</u>
Wastewater:	
Land	29,933
Infrastructure	6,771,114
Buildings	319,460
Improvements other than buildings	2,845,295
Machinery, equipment, and vehicles	632,183
Construction in progress	<u>273,667</u>
Total Wastewater	<u>10,871,652</u>
Water:	
Land	40,871
Infrastructure	1,348,276
Buildings	1,503,244
Improvements other than buildings	992,606
Machinery, equipment, and vehicles	<u>933,082</u>
Total Water	<u>4,818,079</u>
Total capital assets	<u><u>\$ 20,149,590</u></u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TOWN OF ALBANY, DELAWARE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Albany's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2017. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

(Continued)


Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

July 5, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

TOWN OF ALBANY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2017

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Water and Waste Disposal Systems for Rural Communities Wastewater Utility Improvements	Direct Grant	10.760	92-09	\$ -	\$ 1,330,081
Total - Department of Agriculture				-	1,330,081
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program	Direct Grant	16.607	2016	-	1,820
Total - Department of Justice				-	1,820
Total federal awards expended				\$ -	\$ 1,331,901

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF ALBANY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF ALBANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
10.760	Water and Waste Disposal Systems for Rural Communities	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Condition

The Town had not established internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA).

Context

The financial information entered into Gateway was not subject to a review by anyone other than the preparer.

TOWN OF ALBANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(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. . . ."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA could have remained undetected.

Recommendation

We recommended that the Town's management establish controls over the preparation of the SEFA to prevent, or detect and correct, possible errors on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2017-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

TOWN OF ALBANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to cash and investments and reporting. Monthly bank reconciliations were not reviewed by someone other than the preparer. The Clerk-Treasurer prepared and submitted the financial information into the Indiana Gateway for Government Units (Gateway). Gateway was the collection platform for local units of government to submit required data to the State of Indiana. All Towns were required to submit their Annual Financial Report via Gateway. The Town, however, did not have effective controls to verify the accuracy of the financial information prior to submission.
2. Monitoring of Controls: The Town had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the Town to monitor and assess the quality of the system of internal control.

Context

The lack of adequate internal controls was a systematic issue throughout the audit period.

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

TOWN OF ALBANY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management of the Town had not established a proper system of internal controls over cash and investments and reporting. An evaluation of the Town's system of internal controls had not been conducted.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Town at risk that controls may not be designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the Town establish a system of internal controls related to financial transactions and reporting and that the system of internal controls be evaluated on a timely basis.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.

TOWN OF ALBANY
210 E. State Street, Albany, IN 47320
Phone: 765-789-6112 Fax: 765-789-6961

CORRECTIVE ACTION PLAN

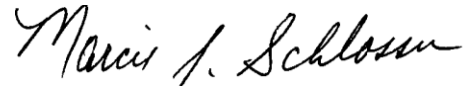
FINDING 2017-001

Contact Person Responsible for Corrective Action: Marcie J Schlosser
Contact Phone Number: 765-760-3866

Views of Responsible Official: We concur that we did not have a second person reviewing what was entered into Gateway for the Schedule of Expenditures of Federal Awards.

Description of Corrective Action Plan: We did not feel that having a second person reviewing what was entered was necessary nor did we have a person trained that was familiar with the reporting process. A Deputy Clerk was hired on January 1, 2018 and she will be trained to review the information entered into Gateway.

Anticipated Completion Date: Training began in January 2018 and will continue through the 2018 year-end reporting period.



(Signature)

Clerk-Treasurer _____

(Title)

7/5/2018 _____

(Date)

TOWN OF ALBANY
210 E. State Street, Albany, IN 47320
Phone: 765-789-6112 Fax: 765-789-6961

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Marcie J Schlosser
Contact Phone Number: 765-760-3866

Views of Responsible Official: We concur that we did not have a second person reviewing the monthly bank reconciliation or the year-end financial information entered into Gateway and that additional internal control improvements could be made.

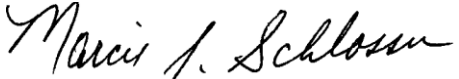
Description of Corrective Action Plan:

Item #1: We do not feel that having someone from the Clerk-Treasurer's office review the monthly reconciliation is enough of a separation of duties. The new Deputy Clerk is learning how to balance the books and she will continue to be involved in this process on a monthly basis as a backup for the Clerk-Treasurer. If the true intent of the review is to catch any fraud that could occur, having someone involved in the reconciliation process or even someone in the same office is not a true separation of duties and may not be a deterrent to fraud. The Council President began reviewing the monthly bank statements beginning with January 2018 and we will continue to have the Council President review each month and at year-end. This should satisfy the separation of duties specified in the internal control requirements.

We felt that the monthly Fund reports that were generated and distributed to the council members after the month was balanced were sufficient for them to review where we were financially. We also did not feel that having a second person reviewing what was entered into Gateway at the end of the year was necessary as all financial information is uploaded from our accounting software that is reconciled on a monthly basis and copies given to the Council Members to review.

Item #2: The Clerk-Treasurer was given the responsibility of monitoring internal controls. As the Clerk does not have direct supervision of town employees outside of the Municipal office staff, suggestions and reminders were given to department heads. A Deputy Clerk was hired on January 1, 2018 and she will be apprised of the internal control requirements and a plan will be put in place so that the Clerk-Treasurer and Deputy Clerk review what internal controls are currently in place and where improvements need to be made. This information will be forwarded to the Council President for distribution to department heads and town employees.

Anticipated Completion Date: Bank reconciliation reviews by the Council President have already been implemented. The Deputy Clerk has been shown how information is submitted to Gateway and will continue to be training throughout the remainder of 2018. An internal control procedure plan will be an ongoing project as department heads will need to be reminded on a regular basis as to items that need to be reviewed. We have an ordinance for internal control and it will be used as our guide for improvements in the control process.



(Signature)

Clerk-Treasurer

(Title)

7/5/2018

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.