

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF REDKEY
JAY COUNTY, INDIANA

January 1, 2018 to December 31, 2018



FILED
08/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debbie James	01-01-17 to 12-31-20
President of the Town Council	Doug Stanley Terri Taylor	01-01-18 to 12-31-18 01-01-19 to 12-31-19



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Redkey (Town), which comprises the financial position and results of operations for the year ended December 31, 2018, 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, 2018.

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, 2018, 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 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 August 6, 2019, 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

August 6, 2019



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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 REDKEY, JAY 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 Redkey (Town), which comprises the financial position and results of operations for the year ended December 31, 2018, and the related notes to the financial statement, and have issued our report thereon dated August 6, 2019, 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 2018-001 and 2018-002, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001 and 2018-002.

Town of Redkey'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

August 6, 2019

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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 REDKEY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General Fund	\$ 2,076	\$ 377,510	\$ 341,052	\$ 38,534
Motor Vehicle Highway	77,490	75,066	50,949	101,607
Local Road & Street	21,956	9,467	2,000	29,423
Non Reverting Bond	700	-	-	700
Sanitation User Fee	75,958	76,743	74,746	77,955
Transportation	-	3,802	-	3,802
Local Law Enf Cont Ed	7,039	637	1,000	6,676
Loit Public Safety	36,072	14,139	35,840	14,371
Park & Recreation	4,452	9,313	8,436	5,329
Rainy Day	14,632	-	13,132	1,500
LOIT Special Distribution	30,881	-	-	30,881
Cum Cap Imp - Cig Tax	15,312	3,163	7,442	11,033
Cum Cap Impr (Tax Levy)	103,210	13,982	17,395	99,797
Revolving Loan	3,817	2	-	3,819
CDBG Planning Grant	-	30,350	41,690	(11,340)
Economic Dev Income Tax	6,276	16,546	18,977	3,845
Redkey Park Cabin	2,301	3,900	2,817	3,384
Redkey Clock Tower	552	-	-	552
Redkey Fire Station Project	36,257	-	32,227	4,030
Redkey Economic Development Inc	301,253	86,976	2,092	386,137
Community Crossing State Grants	-	74,868	5,688	69,180
Donation	3,847	-	2,980	867
Payroll	(17,461)	280,383	271,901	(8,979)
Sewage Utility Operating	149,257	273,654	306,838	116,073
Sewage Utl Sinking	91,457	115,058	124,918	81,597
Sewage Utl Reserve	44,055	1,756,081	1,746,024	54,112
Sewage Separation	208,134	87,208	144,009	151,333
Water Debt Service Reserve	70,658	7,546	-	78,204
Water Utility Operating	35,201	189,464	212,520	12,145
Waterworks B & I Sinking	65,239	129,122	78,970	115,391
Water Utl Depreciation	127,341	11,607	27,011	111,937
Water Utl Meter Deposit	25,371	7,735	5,355	27,751
Totals	<u>\$ 1,543,333</u>	<u>\$ 3,654,322</u>	<u>\$ 3,576,009</u>	<u>\$ 1,621,646</u>

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

TOWN OF REDKEY
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, electric, gas, storm water, trash, aviation, 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 REDKEY
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.

Penalties. Amounts received from late payment fees.

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 REDKEY
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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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 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. *Cash Balance Deficits*

The financial statement contains some funds with deficits in cash. Some are a result of reimbursable grants that have made expenditures, but have not yet been reimbursed from the grant, and others are a result of disbursing more funds than what were received.

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 REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	General Fund	Motor Vehicle Highway	Local Road & Street	Non Reverting Bond	Sanitation User Fee	Transportation
Cash and investments - beginning	\$ 2,076	\$ 77,490	\$ 21,956	\$ 700	\$ 75,958	\$ -
Receipts:						
Taxes	292,731	1,035	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	16,419	74,031	9,467	-	-	-
Charges for services	13,809	-	-	-	76,214	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	54,551	-	-	-	529	3,802
Total receipts	377,510	75,066	9,467	-	76,743	3,802
Disbursements:						
Personal services	166,497	26,082	-	-	-	-
Supplies	19,374	9,864	-	-	2,760	-
Other services and charges	140,257	15,003	2,000	-	71,986	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	14,924	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	341,052	50,949	2,000	-	74,746	-
Excess (deficiency) of receipts over disbursements	36,458	24,117	7,467	-	1,997	3,802
Cash and investments - ending	\$ 38,534	\$ 101,607	\$ 29,423	\$ 700	\$ 77,955	\$ 3,802

TOWN OF REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Local Law Enf Cont Ed	Loit Public Safety	Park & Recreation	Rainy Day	LOIT Special Distribution	Cum Cap Imp - Cig Tax
Cash and investments - beginning	\$ 7,039	\$ 36,072	\$ 4,452	\$ 14,632	\$ 30,881	\$ 15,312
Receipts:						
Taxes	-	14,139	7,964	-	-	-
Licenses and permits	280	-	-	-	-	-
Intergovernmental receipts	-	-	121	-	-	3,163
Charges for services	-	-	-	-	-	-
Fines and forfeits	352	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	5	-	1,228	-	-	-
Total receipts	637	14,139	9,313	-	-	3,163
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	1,944	12,132	-	-
Other services and charges	1,000	-	6,492	1,000	-	7,442
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	35,840	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	1,000	35,840	8,436	13,132	-	7,442
Excess (deficiency) of receipts over disbursements	(363)	(21,701)	877	(13,132)	-	(4,279)
Cash and investments - ending	\$ 6,676	\$ 14,371	\$ 5,329	\$ 1,500	\$ 30,881	\$ 11,033

TOWN OF REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Cum Cap Impr (Tax Levy)	Revolving Loan	CDBG Planning Grant	Economic Dev Income Tax	Redkey Park Cabin	Redkey Clock Tower
Cash and investments - beginning	\$ 103,210	\$ 3,817	\$ -	\$ 6,276	\$ 2,301	\$ 552
Receipts:						
Taxes	11,959	-	-	16,546	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	2,023	-	30,350	-	-	-
Charges for services	-	-	-	-	3,900	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	2	-	-	-	-
Total receipts	13,982	2	30,350	16,546	3,900	-
Disbursements:						
Personal services	-	-	-	-	1,200	-
Supplies	4,753	-	-	-	-	-
Other services and charges	-	-	-	-	1,617	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	12,642	-	41,690	18,977	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	17,395	-	41,690	18,977	2,817	-
Excess (deficiency) of receipts over disbursements	(3,413)	2	(11,340)	(2,431)	1,083	-
Cash and investments - ending	\$ 99,797	\$ 3,819	\$ (11,340)	\$ 3,845	\$ 3,384	\$ 552

TOWN OF REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Redkey Fire Station Project	Redkey Economic Development Inc	Community Crossing State Grants	Donation	Payroll
Cash and investments - beginning	\$ 36,257	\$ 301,253	\$ -	\$ 3,847	\$ (17,461)
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	74,868	-	-
Charges for services	-	86,976	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Penalties	-	-	-	-	-
Other receipts	-	-	-	-	280,383
Total receipts	-	86,976	74,868	-	280,383
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	32,227	-	5,688	2,980	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Utility operating expenses	-	-	-	-	-
Other disbursements	-	2,092	-	-	271,901
Total disbursements	32,227	2,092	5,688	2,980	271,901
Excess (deficiency) of receipts over disbursements	(32,227)	84,884	69,180	(2,980)	8,482
Cash and investments - ending	\$ 4,030	\$ 386,137	\$ 69,180	\$ 867	\$ (8,979)

TOWN OF REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Sewage Utility Operating	Sewage Utl Sinking	Sewage Utl Reserve	Sewage Separation	Water Debt Service Reserve
Cash and investments - beginning	\$ 149,257	\$ 91,457	\$ 44,055	\$ 208,134	\$ 70,658
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	273,104	-	-	87,208	-
Penalties	-	-	-	-	-
Other receipts	550	115,058	1,756,081	-	7,546
Total receipts	273,654	115,058	1,756,081	87,208	7,546
Disbursements:					
Personal services	73,587	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	10,771	-	-	-	-
Debt service - principal and interest	-	124,918	-	-	-
Capital outlay	7,171	-	-	-	-
Utility operating expenses	77,092	-	1,746,024	-	-
Other disbursements	138,217	-	-	144,009	-
Total disbursements	306,838	124,918	1,746,024	144,009	-
Excess (deficiency) of receipts over disbursements	(33,184)	(9,860)	10,057	(56,801)	7,546
Cash and investments - ending	\$ 116,073	\$ 81,597	\$ 54,112	\$ 151,333	\$ 78,204

TOWN OF REDKEY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Water Utility Operating	Waterworks B & I Sinking	Water Utl Depreciation	Water Utl Meter Deposit	Totals
Cash and investments - beginning	\$ 35,201	\$ 65,239	\$ 127,341	\$ 25,371	\$ 1,543,333
Receipts:					
Taxes	-	-	-	-	344,374
Licenses and permits	-	-	-	-	280
Intergovernmental receipts	-	-	-	-	210,442
Charges for services	-	-	-	-	180,899
Fines and forfeits	-	-	-	-	352
Utility fees	11,490	-	-	7,735	379,537
Penalties	3,445	-	-	-	3,445
Other receipts	174,529	129,122	11,607	-	2,534,993
Total receipts	189,464	129,122	11,607	7,735	3,654,322
Disbursements:					
Personal services	37,044	-	-	-	304,410
Supplies	-	-	-	-	50,827
Other services and charges	10,465	-	-	-	308,928
Debt service - principal and interest	-	78,970	-	-	203,888
Capital outlay	-	-	-	-	131,244
Utility operating expenses	67,851	-	27,011	-	1,917,978
Other disbursements	97,160	-	-	5,355	658,734
Total disbursements	212,520	78,970	27,011	5,355	3,576,009
Excess (deficiency) of receipts over disbursements	(23,056)	50,152	(15,404)	2,380	78,313
Cash and investments - ending	\$ 12,145	\$ 115,391	\$ 111,937	\$ 27,751	\$ 1,621,646

TOWN OF REDKEY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2018

Description of Debt		Audited Ending Principal Balance	Audited Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue Bond	WWTP and Sewer Separation Project	\$ 3,726,000	\$ 125,978
Water: Revenue Bond	Waterworks Revenue Bonds	1,343,000	79,078
Totals		\$ 5,069,000	\$ 205,056

TOWN OF REDKEY
SCHEDULE OF CAPITAL ASSETS
December 31, 2018

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.

	2018 Ending Balance
Governmental activities:	
Land	\$ 243,277
Infrastructure	2,207,896
Buildings	185,059
Improvements other than buildings	61,184
Machinery, equipment, and vehicles	142,743
Construction in progress	<u>99,056</u>
Total governmental activities	<u>2,939,215</u>
Wastewater:	
Land	41,085
Infrastructure	606,316
Buildings	11,390
Improvements other than buildings	4,100
Machinery, equipment, and vehicles	32,011
Construction in progress	<u>8,000,000</u>
Total Wastewater	<u>8,694,902</u>
Water:	
Land	13,922
Infrastructure	942,136
Buildings	99,028
Improvements other than buildings	8,000
Machinery, equipment, and vehicles	<u>290,400</u>
Total Water	<u>1,353,486</u>
Total capital assets	<u>\$ 12,987,603</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 REDKEY, JAY COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Redkey'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, 2018. 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, 2018.

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

August 6, 2019

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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 REDKEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

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 Sewer Separation - Grant	Direct	10.760	Grant	\$ -	\$ 1,743,397
Total - Department of Agriculture				-	1,743,397
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	A192-18-PL-16-119	-	30,000
Total - Department of Housing and Urban Development				-	30,000
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction	Indiana Department of Transportation	20.205	DES 1600972	-	4,152
Total - Highway Planning and Construction Cluster				-	4,152
Total - Department of Transportation				-	4,152
Total federal awards expended				\$ -	\$ 1,777,549

TOWN OF REDKEY
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, 2018. 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 REDKEY
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 deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Any audit finding 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 2018-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

Condition

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. The Town had not separated incompatible activities related to cash and investments, receipts, payroll disbursements, and financial close and reporting.

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

Cash and Investments (Bank Reconciliations)

The Town had not established controls to ensure that reconciled cash and investment balances agreed to the ledgers or the financial statement. The Clerk-Treasurer completed monthly bank reconciliations without any documented oversight or review procedures in place to ensure their accuracy.

Receipts

The Town had not established controls or separated incompatible activities related to receipts to ensure that collections were recorded timely and to the correct funds.

The internal control system related to the Redkey Economic Development Inc fund held by the Redkey Economic Development Corporation (REDC) in a fiscal agent capacity was not effective in relation to receipts. The REDC did not issue receipts for several of the items selected for testing.

Payroll Disbursements

The Town had not established controls or separated incompatible activities related to payroll disbursements. One individual prepared payroll transactions, recorded the payroll entries to the Town ledger, and issued the payroll disbursements. Payroll disbursements were approved by the Town Council after disbursements were made. However, the detail provided to the Town Council was not sufficient to detect or prevent material errors from occurring.

Financial Close and Reporting

The Clerk-Treasurer entered the Town's financial information into the Indiana Gateway for Government Units financial reporting system, which was the source of the Town's financial statement; however, the process was completed without a documented oversight, review, or approval process, or other compensating control in place to ensure that information was submitted accurately. The following errors were noted in the financial statement presented for audit:

1. The General Fund required adjustments in the amount of \$(132,677) for disbursements - Other Charges and Services due to an adjustment that affected the prior period.
2. The Redkey Economic Development Inc fund, had an adjustment in the amount of \$(150,000) for disbursements due to a transfer that was included as a disbursement.
3. The remaining funds on the financial statement had aggregated adjustments in the amount of \$5,024 for receipts and \$(20,068) for disbursements.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

TOWN OF REDKEY
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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . .”

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

Cause

Management of the Town had not established a proper system of internal control that segregated key functions related to cash and investments, receipts, payroll disbursements, and the financial close and reporting process.

Effect

The failure to establish a system of internal controls 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 either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner. The financial statement contained the errors identified in the *Condition*.

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

Recommendation

We recommended that the Town's management establish a system of internal controls, including segregation of duties, related to cash and investments, receipts, payroll disbursements, and the financial close and reporting process.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-002.

Condition

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The Town had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's SEFA. The Clerk-Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

The SEFA contained the following errors:

1. The Water and Waste Disposal Systems for Rural Communities expenditures were overstated by \$8,002,627.
2. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii expenditures were understated by \$30,000.
3. The Highway Planning and Construction grant expenditures were understated by \$4,152.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

Context

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

TOWN OF REDKEY
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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

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

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in section 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in section 200.414 Indirect (F&A) costs."

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 remained undetected.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.

TOWN OF REDKEY
8922 WEST STATE ROAD 67 P O BOX 21
REDKEY, IN 47373
OFFICE 765/369/2711 FAX 765/369/8282
EMAIL: redkeyct007@gmail.com

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:
Contact Person Responsible for Corrective Action: Debbie James, Clerk Treasurer
Contact Phone Number: 765-369-2711

Status of Audit Finding: Corrective Action Plan is Complete

The Corrective Action Plan taken was to implement internal controls. We will be checking each others work on a daily/weekly basis and implementing more internal controls.

FINDIND 2017-002

Fiscal year in which the finding initially occurred: 2017
Pass- Through Entity, if pass-through or Federal Grant or Agency, if direct:
Contact Person Responsible for Corrective Action: Debbie James, Clerk Treasurer
Contact Phone Number: 765-369-2711

Status of Audit Finding: Corrective Action Plan is Complete

The Corrective Action Plan taken was to implement internal controls. Internal controls have been implemented and we will continue to do so on a daily/weekly basis.

Debbie James
(Signature)

Chief Treasurer
(Title)

11/11/19
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



Corrective Action Plan

Finding 2018-001

Debbie James
765-369-2711

Views of Responsible Official

We are in agreement with the finding.

Description of Corrective Action Plan

Cash and Investments – Deputy Clerk, Mary Eley, will review bank reconcilements.

Anticipated Completion Date: July 31, 2019

Receipts – Deputy Clerk, Mary Eley, will review receipt postings.

REDC Receipts – Clerk Treasurer, Debbie James, will review REDC receipts postings during reconciliation process.

Anticipated Completion Date: July 31, 2019

Payroll Disbursements – Clerk Treasurer, Debbie James, will provide additional payroll detail to Council Members.

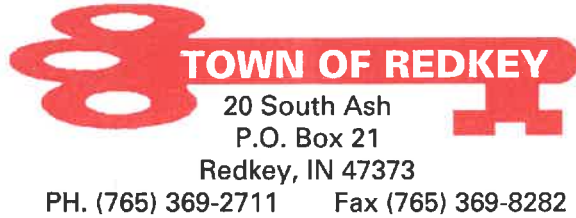
Anticipated completion Date: August 22, 2019

Financial Close and Reporting – Deputy Clerk, Mary Eley, will review Gateway Submission of The Annual Report.

Anticipated Completion Date: December 31, 2019

Clerk Treasurer: *Debbie James*

Date: *08/06/2019*



Corrective Action Plan

Finding 2018-002

Debbie James
765-369-2711

Views of Responsible Official

We are in agreement with the finding.

Description of Corrective Action Plan

Preparation of SEFA – Deputy Clerk, Mary Eley, will review Gateway Submission of The Annual Report.

Anticipated Completion Date: December 31, 2019

Clerk Treasurer: *Debbie James*

Date: *08/06/2019*

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/>.