

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

EXAMINATION REPORT  
OF  
CITY OF GAS CITY  
GRANT COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
05/23/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie L. Flores	01-01-04 to 12-31-07
Mayor	H. Larry Leach	01-01-04 to 12-31-07
President of the Board of Public Works	H. Larry Leach	01-01-04 to 12-31-07
President of the Common Council	Larry Terwillegar	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF GAS CITY, GRANT COUNTY, INDIANA

We have examined the financial information presented herein of the City of Gas City (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the table of contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

May 3, 2007

CITY OF GAS CITY  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 360,103	\$ 1,666,782	\$ 1,742,296	\$ 284,589
Motor Vehicle Highway	20,318	257,549	182,041	95,826
Local Road and Street	107,291	52,239	41,132	118,398
Park and Recreation	20,190	133,435	124,737	28,888
Park Nonreverting Operating	24,772	37,587	36,789	25,570
3 Way Recreation	12,603	37,734	40,030	10,307
3 Way Recreation Nonreverting Operating	19,631	13,891	22,199	11,323
Youth Activity	1,372	-	-	1,372
Clerk's Record Perpetuation	32,293	12,542	5,546	39,289
Law Enforcement Continuing Education	4,943	8,110	3,304	9,749
Law Enforcement Block Grant	(3,383)	-	3,362	(6,745)
Operation Pullover	15	3,250	3,275	(10)
Probation	11,700	19,400	18,000	13,100
Home Detention	1,285	16,931	18,086	130
Fire FEMA Grant	(1)	-	-	(1)
Riverboat	74,912	37,379	-	112,291
Allocation (TIF)	600,388	1,017,483	623,980	993,891
Storm Water Debt Service	78,130	89,181	111,051	56,260
Cumulative Capital Improvement	42,450	21,221	35,100	28,571
Cumulative Capital Development	125,146	48,661	83,504	90,303
Build Indiana Fund Grant	111,138	-	-	111,138
2003 Redevelopment District Capital (Woodmark)	6,949	178,001	-	184,950
2005 Redevelopment District (Wal-mart)	688,542	196,204	731,521	153,225
Planning Grant PL-02-019	2,000	-	2,000	-
Housing Grant 2006	-	14,300	14,300	-
Judicial Technology and Automation Committee (JTAC) Court Grant	-	7,630	7,630	-
TIF Debt Service Reserve	-	283,000	-	283,000
2005 Redevelopment Bond and Interest (Wal-Mart)	-	195,819	195,819	-
2005 Redevelopment Debt Service Reserve (Wal-Mart)	-	267,000	-	267,000
Levy Excess	-	49,178	-	49,178
<b>Proprietary Funds:</b>				
Electric Utility - Operating	295,201	4,177,793	4,050,331	422,663
Electric Utility - Bond and Interest	40	153,175	166,941	(13,726)
Electric Utility - Bond and Interest Reserve	167,760	-	-	167,760
Electric Utility - Depreciation	249,699	-	46,647	203,052
Electric Utility - Construction	5,602	30,256	5,652	30,206
Electric Utility - Customer Deposit	106,868	30,850	23,274	114,444
Electric Utility - Reserve	200,204	87,500	144,000	143,704
Electric Utility - Tree Fund	50,985	18,334	-	69,319
Electric Utility - Gas Pump	6,994	14,384	10,245	11,133
Water Utility - Operating	126,439	828,928	732,936	222,431
Water Utility - Bond and Interest	63,347	100,851	101,321	62,877
Water Utility - Bond and Interest Reserve	103,512	-	-	103,512
Water Utility - Depreciation	18,055	-	8,362	9,693
Water Utility - Customer Deposit	49,925	9,100	5,742	53,283
Wastewater Utility - Operating	272,761	1,334,121	833,671	773,211
Wastewater Utility - Depreciation	205,666	5,279	20,326	190,619
Wastewater Utility - Gas Pump	1,162	9,398	7,332	3,228
Wastewater Utility - Lease	38,534	30,827	28,258	41,103
<b>Fiduciary Funds:</b>				
Police Officers' Pension	9,446	113,888	114,939	8,395
Zoo Donation	1,121	6,528	5,061	2,588
Payroll	20,694	1,838,277	1,834,736	24,235
City Court	361,114	1,333,620	1,188,421	506,313
User Fee	38,291	18,231	15,991	40,531
Court Costs Due County	2,822	101,767	109,821	(5,232)
<b>Totals</b>	<u>\$ 4,739,029</u>	<u>\$ 14,907,614</u>	<u>\$ 13,499,709</u>	<u>\$ 6,146,934</u>

The accompanying notes are an integral part of the financial information.

CITY OF GAS CITY  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater and electric.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF GAS CITY  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent 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 PERF Board, most requirements of the system, and give the City 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

CITY OF GAS CITY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

December 31, 2006

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,754,130
Buildings	1,588,100
Improvements other than buildings	70,815
Machinery and equipment	<u>1,808,575</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 5,221,620</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 51,353
Capital assets being depreciated:	
Buildings	581,874
Improvements other than buildings	3,265,560
Machinery and equipment	251,959
Transportation equipment	<u>70,245</u>
 Total Water Utility capital assets	 <u>4,220,991</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	125,689
Construction in progress	312,355
Capital assets being depreciated:	
Buildings	28,485
Improvements other than buildings	7,053,218
Machinery and equipment	313,643
Transportation equipment	<u>87,312</u>
 Total Wastewater Utility capital assets	 <u>7,920,702</u>
Electric Utility:	
Capital assets being depreciated:	
Buildings	233,476
Improvements other than buildings	3,764,756
Machinery and equipment	716,878
Transportation equipment	<u>400,465</u>
 Total Electric Utility capital assets	 <u>5,115,575</u>
 Total business-type activities capital assets	 <u>\$ 17,257,268</u>

CITY OF GAS CITY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police Cars	\$ 46,427	\$ 22,461
Dump Truck	22,904	11,075
Bonds payable:		
General obligation bonds:		
1995 Storm Water Management District Bonds	535,000	85,000
1995 Redevelopment District Tax Increment Bonds	475,000	105,000
1999 Redevelopment District Tax Increment Bonds	1,435,000	135,000
2003 Redevelopment District Tax Increment Bonds	505,000	50,000
2005 Redevelopment District Tax Increment Bonds	<u>2,670,000</u>	<u>-</u>
Total governmental activities long-term debt	<u>\$ 5,689,331</u>	<u>\$ 408,536</u>
Business-type Activities:		
Water Utility		
Capital leases:		
SkidSteer and Dozer	\$ 34,529	\$ 3,511
Loan:		
State Revolving Fund Loan	<u>1,219,940</u>	<u>65,000</u>
Total Water Utility	<u>1,254,469</u>	<u>68,511</u>
Wastewater Utility		
Capital leases:		
SkidSteer and Dozer	34,526	3,511
Jet Vac	<u>51,970</u>	<u>25,255</u>
Total Wastewater Utility	<u>86,496</u>	<u>28,766</u>
Electric Utility:		
Capital leases:		
SkidSteer and Dozer	34,529	3,511
Revenue bonds:		
Substation	<u>2,030,000</u>	<u>-</u>
Total Electric Utility	<u>2,064,529</u>	<u>3,511</u>
Total business-type activities long-term debt	<u>\$ 3,405,494</u>	<u>\$ 100,788</u>

CITY OF GAS CITY  
OTHER REPORTS

The examination presented herein was prepared in addition to the other official reports prepared for the individual City offices listed below:

City Court  
Municipal Utilities

CITY OF GAS CITY  
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS – POOL RECEIPTS

Controls over the receipting, depositing, recording, and accounting for the financial activities of the pool were insufficient. Reports submitted did not include each day of operation. Cash register tapes were not properly prepared. No summary of adult and student admission was included, even though different admission rates apply. Also, several cash register tapes appear to be completed and printed on the same day. Seven tapes were dated January 1, 2000, seven were dated January 7, 2000, and three were dated January 8, 2000.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

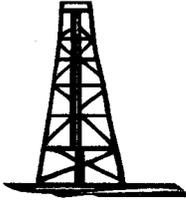
BOARD MINUTES – PARK AND RECREATION AND THREE-WAY RECREATION

Park and Recreation Board minutes and Three-Way Recreation Board minutes submitted for audit were not signed or approved by the Board members. A similar comment appeared in the prior Examination Report B28495.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GAS CITY  
EXIT CONFERENCE

The contents of this report were discussed on May 3, 2007, with Julie L. Flores, Clerk-Treasurer; Larry Terwillegar, President of the Common Council; and H. Larry Leach, Mayor. The official response has been made a part of this report and may be found on page 12.



## Gas City "The City With A Future"

Mayor H. Larry Leach

211 E. Main Street • Gas City, Indiana 46933

Ph: 765-677-3080 • Fax: 765-677-4761 • Email: gascity1@indy.rr.com

Mr. Gary DeWitt  
11768 North Roanoke Road  
Roanoke, Indiana 46783

May 11, 2007

Mr. DeWitt,

In response to issues brought to us as a result of the audit of Gas City's 2006 books, I would like to comment.

### "POOL RECEIPTS"

I do not contest these comments in any way. I fully intended to sit down with the pool manager and try to right this situation again, but I was informed yesterday that she would not be managing the pool this year. Therefore, when a new manager is put into place, the Park Board and I will make sure that he or she understands what is expected.

### "BOARD MINUTES – PARK AND RECREATION AND THREE-WAY MINUTES"

The Secretary of the Park Board resigned, as of the end of May. A new member will be appointed to the Board at our May 15, 2007 City Council meeting who will begin serving as of June 1. A new Secretary will be elected and the duties will be explained as to minutes and the proper keeping of the same.

I have personally conversed with the President of the Three-Way Board and he understands that minutes must be signed and approved. I am confident that they will be correct for the year of 2007.

### "OVERPAYMENT"

I am 100% sure that there is a "lost" change order that was made on the Electric Substation Project. I have informed our Utilities Superintendent that we need to find it. He has contacted the Engineer for this job and we are awaiting a response.

Sincerely,

  
H. Larry Leach