

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

EXAMINATION REPORT
OF
TOWN OF GASTON
DELAWARE COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
10/11/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer Shell	01-01-04 to 12-31-07
President of the Town Council	Theodore A. Brown	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Gaston (Town), for the period of January 1, 2005 to December 31, 2006. The Town'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 Town for the years ended December 31, 2005 and 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 required parts 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

August 29, 2007

TOWN OF GASTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 156,343	\$ 303,725	\$ 295,987	\$ 164,081
Motor Vehicle Highway	18,447	31,667	28,531	21,583
Local Road and Street	4,711	10,041	9,549	5,203
Law Enforcement Continuing Education	580	246	30	796
Riverboat	5,510	6,369	5,024	6,855
Rainy Day	3,871	27,106	27,106	3,871
Donation	514	-	-	514
Cumulative Capital Improvement	1,916	3,122	1,500	3,538
Community Center Fund	792	4,940	1,812	3,920
County Economic Development Income Tax	24,201	9,305	-	33,506
Proprietary Funds:				
Water Utility - Operating	46,957	197,201	170,286	73,872
Water Utility - Bond and Interest	5,806	-	-	5,806
Water Utility - Depreciation	2,161	1,384	-	3,545
Water Utility - Customer Deposit	14,673	2,250	1,800	15,123
Water Utility - Backhoe	1,700	3,216	2,793	2,123
Water Utility - Non Sufficient Fund Clearing	-	928	770	158
Wastewater Utility - Operating	3,147	172,478	166,352	9,273
Wastewater Utility - Bond and Interest	7,057	21,227	12,379	15,905
Wastewater Utility - Depreciation	20,480	1,767	567	21,680
Wastewater Utility - Debt Reserve	1,444	4,333	5,777	-
Wastewater Utility - Backhoe	1,700	3,500	100	5,100
Wastewater Utility - Nonsufficient Fund Clearing	-	273	273	-
Wastewater Utility - Build Indiana	51,932	-	-	51,932
Fiduciary Funds:				
Levy Excess	-	34,600	-	34,600
Payroll	5,468	216,222	218,669	3,021
Totals	<u>\$ 379,410</u>	<u>\$ 1,055,900</u>	<u>\$ 949,305</u>	<u>\$ 486,005</u>

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

TOWN OF GASTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 164,081	\$ 240,622	\$ 261,367	\$ 143,336
Motor Vehicle Highway	21,583	38,125	26,196	33,512
Local Road and Street	5,203	10,764	3,150	12,817
Law Enforcement Continuing Education	796	379	200	975
Riverboat	6,855	6,356	-	13,211
Rainy Day	3,871	-	3,050	821
Donation	514	-	497	17
Cumulative Capital Improvement	3,538	3,609	-	7,147
Community Center Fund	3,920	1,182	3,665	1,437
County Economic Development Income Tax	33,506	10,846	25,673	18,679
Proprietary Funds:				
Water Utility - Operating	73,872	216,246	226,650	63,468
Water Utility - Bond and Interest	5,806	-	-	5,806
Water Utility - Depreciation	3,545	1,201	2,201	2,545
Water Utility - Customer Deposit	15,123	2,900	1,944	16,079
Water Utility - Backhoe	2,123	4,690	1,342	5,471
Water Utility - Nonsufficient Fund Clearing	158	1,686	1,357	487
Wastewater Utility - Operating	9,273	171,148	153,092	27,329
Wastewater Utility - Bond and Interest	15,905	19,790	18,483	17,212
Wastewater Utility - Depreciation	21,680	1,200	16,757	6,123
Wastewater Utility - Debt Reserve	-	2,889	2,889	-
Wastewater Utility - Backhoe	5,100	4,507	4,136	5,471
Wastewater Utility - Build Indiana	51,932	-	51,932	-
Fiduciary Funds:				
Levy Excess	34,600	14,747	34,600	14,747
Payroll	3,021	230,318	230,233	3,106
Totals	<u>\$ 486,005</u>	<u>\$ 983,205</u>	<u>\$ 1,069,414</u>	<u>\$ 399,796</u>

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

TOWN OF GASTON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town 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 Town 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 Town 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 (Indiana Code 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF GASTON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town 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 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% 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.

**TOWN OF GASTON
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS**

For The Year Ended 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	\$ 68,500
Buildings	76,678
Machinery and equipment	<u>262,222</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 407,400</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 3,600
Buildings	50,000
Improvements other than buildings	285,373
Machinery and equipment	<u>181,999</u>
Total Water Utility capital assets	<u>520,972</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	38,661
Buildings	481,500
Improvements other than buildings	722,598
Machinery and equipment	<u>897,180</u>
Total Wastewater Utility capital assets	<u>2,139,939</u>
Total business-type activities capital assets	<u>\$ 2,660,911</u>

TOWN OF GASTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

CAPITAL LEASES

The Town has entered into the following capital leases:

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police Car	\$ 19,174	\$ 6,013
Backhoe	25,484	6,835
Total governmental activities long-term debt	\$ 44,658	\$ 12,848
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Wastewater Improvements	\$ 95,000	\$ 10,000

TOWN OF GASTON
EXAMINATION RESULTS AND COMMENTS

EXPENSE REIMBURSEMENT ITEMIZATION

Records presented for examination included claims for reimbursement of meals for the Clerk-Treasurer. Detailed documentation was not attached to the information presented for reimbursement which would enable a determination that all expenses were for employees conducting governmental business.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with Indiana Code 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISBURSEMENTS

The following deficiencies were noted when testing claims paid during the examination period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims or invoices did not have evidence to support receipt of goods or services.
- (3) Payments were made to the Gaston Volunteer Fire Department and Dave Wallace without a valid contract.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

TOWN OF GASTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISPOSITION OF ASSETS

In November 2005, the Town donated the Fire Department Building. No information presented for examination would indicate the donation was discussed at an open meeting. The only evidence of any board approval of this donation is the Board President's signature on a quit claim deed.

Indiana Code 5-14-1.5-1 states: "Sec. 1. In enacting this chapter, the general assembly finds and declares that this state and its political subdivisions exist only to aid in the conduct of the business of the people of this state. It is the intent of this chapter that the official action of public agencies be conducted and taken openly, unless otherwise expressly provided by statute, in order that the people may be fully informed. The purposes of this chapter are remedial, and its provisions are to be liberally construed with the view of carrying out its policy."

TOWN OF GASTON
EXIT CONFERENCE

The contents of this report were discussed on August 29, 2007, with Jennifer Shell, Clerk-Treasurer; and Theodore A. Brown, President of the Town Council. The official response has been made a part of this report and may be found on page 13.

TOWN OF GASTON

OFFICE OF CLERK TREASURER
107 N. SYCAMORE • P.O. BOX 186
GASTON, INDIANA 47342

PHONE: (765) 358-4005

FAX: (765) 358-4355

To: State Board of Accounts

I am responding to all written comments of the Audit Report.

1. Claims with no itemized receipts. As of 2007 the problems has been corrected and all Companies will give itemized receipts.
2. Claims were not prepared for all disbursements. During the audit could not find the claim, but claim was found at a later date.
3. Payments were made with no valid contracts for Dave Wallace and Fire Department. For Fire Department in the year of 2005 the Board went back to 2004 contract and for Dave Wallace in the year of 2005 I made him send a bill to get paid, but he had no contract. As of 2006 every Attorney and the Fire Department will have contracts. *The Attorney himself will not speak to the Clerk-Treasurer.*
4. Town Property that was given to the Fire Department in November of 2005 was not done in Board meeting, but by quit claim deed. As Clerk-Treasurer I will inform the Board that this was not done by statue and at the exit conference Theodore Brown was present.

Thank you



Jennifer Shell Clerk-Treasurer, IAMC