

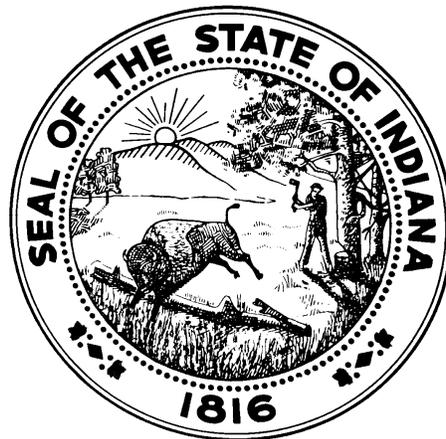
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF GAS CITY

GRANT COUNTY, INDIANA



FILED
09/22/2009

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Julie L. Flores	01-01-08 to 12-31-11
Mayor	H. Larry Leach	01-01-08 to 12-31-11
President of the Board of Public Works	H. Larry Leach	01-01-08 to 12-31-11
President of the Common Council	Larry J. Terwillegar	01-01-08 to 12-31-09
Superintendent of Utilities	Raymond P. Smith	01-01-08 to 12-31-09
Utilities Office Manager	Lisa K. Oliver	01-01-08 to 12-31-09



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gas City (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 18, 2009, on our consideration of the City'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 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 internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 18, 2009



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gas City (City), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 18, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the audit results and comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 18, 2009

CITY OF GAS CITY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 636,085	\$ 391,919	\$ 56,588	\$ 27,904	\$ (159,674)	\$ -	\$ (159,674)
Public safety	987,666	84,827	3,625	-	(899,214)	-	(899,214)
Highways and streets	322,909	-	163,546	48,521	(110,842)	-	(110,842)
Sanitation	223,415	182,741	-	-	(40,674)	-	(40,674)
Economic development	196,790	-	26,930	-	(169,860)	-	(169,860)
Culture and recreation	219,650	38,372	65,271	-	(116,007)	-	(116,007)
Urban redevelopment and housing	16,000	-	16,000	-	-	-	-
Principal and interest on indebtedness	794,155	-	-	-	(794,155)	-	(794,155)
Total governmental activities	3,396,670	697,859	331,960	76,425	(2,290,426)	-	(2,290,426)
Business-type activities:							
Water	905,907	827,606	-	-	-	(78,301)	(78,301)
Wastewater	1,390,827	1,531,103	-	-	-	140,276	140,276
Electric	5,304,858	4,961,145	-	-	-	(343,713)	(343,713)
Total business-type activities	7,601,592	7,319,854	-	-	-	(281,738)	(281,738)
Total primary government	\$ 10,998,262	\$ 8,017,713	\$ 331,960	\$ 76,425	(2,290,426)	(281,738)	(2,572,164)
General receipts:							
Property taxes					4,235,603	-	4,235,603
Other local sources					493,690	-	493,690
Investment earnings					57,787	90,822	148,609
Total general receipts					4,787,080	90,822	4,877,902
Change in net assets					2,496,654	(190,916)	2,305,738
Net assets - beginning					2,213,863	3,464,794	5,678,657
Net assets - ending					\$ 4,710,517	\$ 3,273,878	\$ 7,984,395
Assets							
Cash and investments					\$ 875,182	\$ 924,486	\$ 1,799,668
Restricted assets:							
Cash and investments					3,835,335	2,349,392	6,184,727
Total assets					\$ 4,710,517	\$ 3,273,878	\$ 7,984,395
Net Assets							
Restricted for:							
Public safety					\$ 5,475	\$ -	\$ 5,475
Highways and streets					83,590	-	83,590
Culture and recreation					78,671	-	78,671
Debt service					1,651,768	901,514	2,553,282
Other purposes					2,015,831	1,447,878	3,463,709
Unrestricted					875,182	924,486	1,799,668
Total net assets					\$ 4,710,517	\$ 3,273,878	\$ 7,984,395

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

CITY OF GAS CITY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Allocation (TIF)	2005 Redevelopment District (Wal-Mart)	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 1,194,657	\$ 1,003,982	\$ 1,681,794	\$ 355,170	\$ 4,235,603
Licenses and permits	1,305	-	-	-	1,305
Intergovernmental	435,348	10,811	26,930	334,073	807,162
Charges for services	399,975	-	-	38,372	438,347
Fines and forfeits	194,719	-	-	61,788	256,507
Other	48,370	31,813	-	74,217	154,400
Total receipts	2,274,374	1,046,606	1,708,724	863,620	5,893,324
Disbursements:					
General government	571,017	-	-	65,068	636,085
Public safety	932,746	-	-	54,920	987,666
Highways and streets	-	-	-	322,909	322,909
Sanitation	223,415	-	-	-	223,415
Economic development	-	191,190	-	5,600	196,790
Culture and recreation	-	-	-	219,650	219,650
Urban redevelopment and housing	-	-	-	16,000	16,000
Debt service:					
Principal	-	340,000	-	125,795	465,795
Interest	-	304,157	-	24,203	328,360
Total disbursements	1,727,178	835,347	-	834,145	3,396,670
Excess of receipts over disbursements	547,196	211,259	1,708,724	29,475	2,496,654
Other financing sources (uses):					
Transfers in	56,101	-	-	-	56,101
Transfers out	-	-	-	(56,101)	(56,101)
Total other financing sources (uses)	56,101	-	-	(56,101)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	603,297	211,259	1,708,724	(26,626)	2,496,654
Cash and investment fund balance - beginning	(179,377)	828,199	122,157	1,442,884	2,213,863
Cash and investment fund balance - ending	\$ 423,920	\$ 1,039,458	\$ 1,830,881	\$ 1,416,258	\$ 4,710,517
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 423,920	\$ -	\$ -	\$ 451,262	\$ 875,182
Restricted assets:					
Cash and investments	-	1,039,458	1,830,881	964,996	3,835,335
Total cash and investment assets - ending	\$ 423,920	\$ 1,039,458	\$ 1,830,881	\$ 1,416,258	\$ 4,710,517
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 5,475	\$ 5,475
Highways and streets	-	-	-	83,590	83,590
Culture and recreation	-	-	-	78,671	78,671
Debt service	-	1,039,458	-	612,310	1,651,768
Other purposes	-	-	1,830,881	184,950	2,015,831
Unrestricted	423,920	-	-	451,262	875,182
Total cash and investment fund balance - ending	\$ 423,920	\$ 1,039,458	\$ 1,830,881	\$ 1,416,258	\$ 4,710,517

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

CITY OF GAS CITY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Totals</u>
Operating receipts:				
Metered receipts:				
Residential	\$ 571,178	\$ 1,028,203	\$ -	\$ 1,599,381
Commercial	161,683	435,421	-	597,104
Residential sales	-	-	2,669,957	2,669,957
Commercial and industrial sales	-	-	2,174,049	2,174,049
Public street and highway lighting	-	-	40,687	40,687
Fire protection receipts	77,239	-	-	77,239
Penalties	6,534	27,312	28,803	62,649
Other	<u>10,972</u>	<u>16,167</u>	<u>47,649</u>	<u>74,788</u>
Total operating receipts	<u>827,606</u>	<u>1,507,103</u>	<u>4,961,145</u>	<u>7,295,854</u>
Operating disbursements:				
Salaries and wages	223,761	367,193	404,886	995,840
Employee pensions and benefits	140,912	197,865	181,970	520,747
Purchased power	33,133	86,441	3,821,207	3,940,781
Chemicals	67,230	-	-	67,230
Material and supplies	115,111	209,530	187,245	511,886
Contractual services	60,551	16,614	41,330	118,495
Equipment and capital improvements	79,297	205,953	54,813	340,063
Miscellaneous	<u>53,992</u>	<u>70,827</u>	<u>295,474</u>	<u>420,293</u>
Total operating disbursements	<u>773,987</u>	<u>1,154,423</u>	<u>4,986,925</u>	<u>6,915,335</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>53,619</u>	<u>352,680</u>	<u>(25,780)</u>	<u>380,519</u>
Nonoperating receipts (disbursements):				
Interest and investment receipts	13,599	50,362	26,861	90,822
Debt service of principal	(73,715)	(150,428)	(78,715)	(302,858)
Interest disbursements	<u>(34,205)</u>	<u>(85,976)</u>	<u>(94,218)</u>	<u>(214,399)</u>
Total nonoperating receipts (disbursements)	<u>(94,321)</u>	<u>(186,042)</u>	<u>(146,072)</u>	<u>(426,435)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(40,702)	166,638	(171,852)	(45,916)
Interfund loan activity	(24,000)	24,000	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(145,000)</u>	<u>(145,000)</u>
Excess (deficiency) of receipts and transfers in over disbursements and transfers out	(64,702)	190,638	(316,852)	(190,916)
Cash and investment fund balance - beginning	<u>571,612</u>	<u>1,793,785</u>	<u>1,099,397</u>	<u>3,464,794</u>
Cash and investment fund balance - ending	<u>\$ 506,910</u>	<u>\$ 1,984,423</u>	<u>\$ 782,545</u>	<u>\$ 3,273,878</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 179,285	\$ 369,101	\$ 376,100	\$ 924,486
Restricted assets:				
Cash and investments	<u>327,625</u>	<u>1,615,322</u>	<u>406,445</u>	<u>2,349,392</u>
Total cash and investment assets - December 31	<u>\$ 506,910</u>	<u>\$ 1,984,423</u>	<u>\$ 782,545</u>	<u>\$ 3,273,878</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 184,892	\$ 548,500	\$ 168,122	\$ 901,514
Other purposes	142,733	1,066,822	238,323	1,447,878
Unrestricted	<u>179,285</u>	<u>369,101</u>	<u>376,100</u>	<u>924,486</u>
Total cash and investment fund balance - December 31	<u>\$ 506,910</u>	<u>\$ 1,984,423</u>	<u>\$ 782,545</u>	<u>\$ 3,273,878</u>

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

CITY OF GAS CITY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 84,128	\$ -	
State	66,991	-	
Other	<u>9,000</u>	<u>4,521</u>	
 Total additions	 <u>160,119</u>	 <u>4,521</u>	
 Deductions:			
Benefits	124,007	-	
Administrative and general	<u>-</u>	<u>6,249</u>	
 Total deductions	 <u>124,007</u>	 <u>6,249</u>	
 Excess (deficiency) of total additions over total deductions	 36,112	 (1,728)	
 Cash and investment fund balance - beginning	 <u>(17,008)</u>	 <u>3,183</u>	
 Cash and investment fund balance - ending	 <u>\$ 19,104</u>	 <u>\$ 1,455</u>	 <u>\$ 591,935</u>

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

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides 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, electric, water, wastewater, and urban redevelopment and housing.

The City's financial reporting entity is composed of the primary government. There are no significant component units which require inclusion.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The allocation (TIF) fund receives distributions from the county for taxes paid in the TIF district and pays bond and interest amounts due on TIF bonds.

The 2005 redevelopment district (Wal-Mart) fund receives distributions from the county for taxes paid in the redevelopment district and may use those funds for economic development or retirement of debt.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

The electric utility fund accounts for the operation of the electric distribution system.

Additionally, the City reports the following fund types:

The pension trust fund accounts for the activities of the 1925 police pension fund which accumulates resources for pension benefit payments.

The private-purpose trust fund accounts for donations that benefit the local zoo.

Agency funds account for assets held by the City as an agent for others and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City and the Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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.

3. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

4. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

5. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2008, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

<u>Fund</u>	<u>2008</u>
3 Way Recreation Grant	\$ 365
Law Enforcement Block Grant	4,245
Court Costs Due County	5,232

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements and timing of grant reimbursements; these deficits are to be repaid from future receipts.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the City to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the City's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years. The City does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, were as follows:

Transfer From	Transfer To	2008
Other governmental funds	General Fund	\$ 56,101

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is 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; and natural disasters.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 1997, the City joined the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure – Enterprise Funds

Water Utility

On March 15, 1988, the Common Council adopted Ordinance 1-1988 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Common Council on July 20, 2004.

Wastewater Utility

The current rate structure was approved by the Common Council on July 20, 2004.

Electric Utility

On March 15, 1988, the Common Council adopted Ordinance 1-1988 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Common Council on January 15, 2002.

C. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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 the 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

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 88,511	\$ 129,000
Interest on net pension obligation	(3,337)	21,600
Adjustment to annual required contribution	<u>3,803</u>	<u>(27,300)</u>
Annual pension cost	88,977	123,300
Contributions made	<u>80,996</u>	<u>84,128</u>
Increase in net pension obligation	7,981	39,172
Net pension obligation, beginning of year	<u>(46,026)</u>	<u>360,550</u>
Net pension obligation, end of year	<u>\$ (38,045)</u>	<u>\$ 399,722</u>

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Contribution rates:		
City	7.75%	N/A
Plan members	3%	none
Actuarial valuation date	07-01-08	01-01-08
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

N/A = Not available

<u>Actuarial Assumptions</u>	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

*2.75% converted members; 4% nonconverted members

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 75,833	68%	\$ (72,058)
	06-30-07	85,643	70%	(46,026)
	06-30-08	88,977	91%	(38,045)
1925 Police Officers' Pension Plan	12-31-06	123,700	92%	328,812
	12-31-07	122,600	74%	360,550
	12-31-08	123,300	68%	399,722

Membership in the 1925 Police Officers' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension
Retirees and beneficiaries currently receiving benefits	7

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2008, 2007, and 2006, were \$74,529, \$77,654, and \$78,198, respectively, equal to the required contributions for each year.

D. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

CITY OF GAS CITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 1,041,936	\$ 1,318,643	\$ (276,707)	79%	\$ 1,126,779	(25%)
07-01-07	1,193,213	1,470,633	(277,420)	81%	1,160,716	(24%)
07-01-08	1,278,070	1,583,471	(305,401)	81%	1,206,262	(25%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-03	\$ 119,087	\$ 1,604,300	\$ (1,485,213)	7%	\$ -	N/A
01-01-04	96,224	1,852,400	(1,756,176)	5%	-	N/A
01-01-05	53,578	1,826,100	(1,772,522)	3%	-	N/A
01-01-06	9,446	1,792,700	(1,783,254)	1%	-	N/A
01-01-07	8,395	1,757,900	(1,749,505)	0%	-	N/A
01-01-08	(17,008)	1,752,700	(1,769,708)	(1%)	-	N/A

N/A - Not applicable (no covered payroll)

CITY OF GAS CITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	<u>Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
1925 Police Officers' Pension Plan	12-31-03	\$ 208,500	41%
	12-31-04	211,600	31%
	12-31-05	129,000	53%
	12-31-06	128,100	89%
	12-31-07	127,400	71%
	12-31-08	129,000	65%

CITY OF GAS CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Motor Vehicle Highway	Local Road and Street	Park Nonreverting Operating	Home Detention	Law Enforcement Continuing Education	Clerk's Record Perpetuation	Riverboat
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	163,546	48,521	-	-	-	-	37,262
Charges for services	-	-	7,603	-	-	-	-
Fines and forfeits	-	-	-	38,325	10,893	12,570	-
Other	753	-	38,598	-	1,700	-	-
Total receipts	164,299	48,521	46,201	38,325	12,593	12,570	37,262
Disbursements:							
General government	-	-	-	-	-	20,759	3,000
Public safety	-	-	-	40,679	11,116	-	-
Highways and streets	228,583	54,965	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	27,690	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	228,583	54,965	27,690	40,679	11,116	20,759	3,000
Excess (deficiency) of receipts over disbursements	(64,284)	(6,444)	18,511	(2,354)	1,477	(8,189)	34,262
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(64,284)	(6,444)	18,511	(2,354)	1,477	(8,189)	34,262
Cash and investment fund balance - beginning	126,894	27,424	21,651	4,216	6,366	28,084	146,748
Cash and investment fund balance - ending	<u>\$ 62,610</u>	<u>\$ 20,980</u>	<u>\$ 40,162</u>	<u>\$ 1,862</u>	<u>\$ 7,843</u>	<u>\$ 19,895</u>	<u>\$ 181,010</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,895	\$ 181,010
Restricted assets:							
Cash and investments	62,610	20,980	40,162	1,862	7,843	-	-
Total cash and investment assets - ending	\$ 62,610	\$ 20,980	\$ 40,162	\$ 1,862	\$ 7,843	\$ 19,895	\$ 181,010
Cash and Investment Fund Balance - Ending							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ 1,862	\$ 7,843	\$ -	\$ -
Highways and streets	62,610	20,980	-	-	-	-	-
Culture and recreation	-	-	40,162	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	19,895	181,010
Total cash and investment fund balance - ending	\$ 62,610	\$ 20,980	\$ 40,162	\$ 1,862	\$ 7,843	\$ 19,895	\$ 181,010

CITY OF GAS CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Park and Recreation	3 Way Recreation Nonreverting Operating	Rainy Day	Build Indiana Fund Grant	Operation Pullover	3 Way Recreation Grant	Wal-Mart Grant
Receipts:							
Taxes	\$ 104,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	14,109	-	-	-	3,125	-	-
Charges for services	30,769	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	4,251	7,770	214	-	-	-	-
Total receipts	153,511	7,770	214	-	3,125	-	-
Disbursements:							
General government	-	-	27,509	-	-	-	494
Public safety	-	-	-	-	3,125	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	130,651	19,426	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	130,651	19,426	27,509	-	3,125	-	494
Excess (deficiency) of receipts over disbursements	22,860	(11,656)	(27,295)	-	-	-	(494)
Other financing sources (uses):							
Transfers out	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	22,860	(11,656)	(27,295)	-	-	-	(494)
Cash and investment fund balance - beginning	476	11,656	29,934	111,138	15	(365)	565
Cash and investment fund balance - ending	<u>\$ 23,336</u>	<u>\$ -</u>	<u>\$ 2,639</u>	<u>\$ 111,138</u>	<u>\$ 15</u>	<u>\$ (365)</u>	<u>\$ 71</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ -	\$ 2,639	\$ 111,138	\$ -	\$ -	\$ 71
Restricted assets:							
Cash and investments	23,336	-	-	-	15	(365)	-
Total cash and investment assets - ending	\$ 23,336	\$ -	\$ 2,639	\$ 111,138	\$ 15	\$ (365)	\$ 71
Cash and Investment Fund Balance - Ending							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 15	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	23,336	-	-	-	-	(365)	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	2,639	111,138	-	-	71
Total cash and investment fund balance - ending	\$ 23,336	\$ -	\$ 2,639	\$ 111,138	\$ 15	\$ (365)	\$ 71

CITY OF GAS CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	Storm Water Debt Service	Law Enforcement Block Grant	3 Way Recreation	Youth Activity	Indiana Housing Grant	Old Fashioned 4th	Levy Excess
Receipts:							
Taxes	\$ 146,667	\$ -	\$ 38,095	\$ -	\$ -	\$ -	\$ -
Intergovernmental	19,111	-	4,494	-	16,000	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	407	2,500	300	-	-	17,224	-
Total receipts	<u>166,185</u>	<u>2,500</u>	<u>42,889</u>	<u>-</u>	<u>16,000</u>	<u>17,224</u>	<u>-</u>
Disbursements:							
General government	1,200	-	-	-	-	12,106	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Culture and recreation	-	-	41,883	-	-	-	-
Urban redevelopment and housing	-	-	-	-	16,000	-	-
Debt service:							
Principal	90,000	-	-	-	-	-	-
Interest	21,792	-	-	-	-	-	-
Total disbursements	<u>112,992</u>	<u>-</u>	<u>41,883</u>	<u>-</u>	<u>16,000</u>	<u>12,106</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	53,193	2,500	1,006	-	-	5,118	-
Other financing sources (uses):							
Transfers out	<u>(56,101)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,908)	2,500	1,006	-	-	5,118	-
Cash and investment fund balance - beginning	<u>65,218</u>	<u>(6,745)</u>	<u>14,532</u>	<u>1,372</u>	<u>-</u>	<u>-</u>	<u>49,178</u>
Cash and investment fund balance - ending	<u>\$ 62,310</u>	<u>\$ (4,245)</u>	<u>\$ 15,538</u>	<u>\$ 1,372</u>	<u>\$ -</u>	<u>\$ 5,118</u>	<u>\$ 49,178</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ 1,372	\$ -	\$ 5,118	\$ 49,178
Restricted assets:							
Cash and investments	<u>62,310</u>	<u>(4,245)</u>	<u>15,538</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investment assets - ending	<u>\$ 62,310</u>	<u>\$ (4,245)</u>	<u>\$ 15,538</u>	<u>\$ 1,372</u>	<u>\$ -</u>	<u>\$ 5,118</u>	<u>\$ 49,178</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Public safety	\$ -	\$ (4,245)	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	15,538	-	-	-	-
Debt service	62,310	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,372</u>	<u>-</u>	<u>5,118</u>	<u>49,178</u>
Total cash and investment fund balance - ending	<u>\$ 62,310</u>	<u>\$ (4,245)</u>	<u>\$ 15,538</u>	<u>\$ 1,372</u>	<u>\$ -</u>	<u>\$ 5,118</u>	<u>\$ 49,178</u>

CITY OF GAS CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008
 (Continued)

	TIF Debt Service Reserve	2005 Redevelopment Debt Service Reserve (Wal-Mart)	Cumulative Capital Improvement	Cumulative Capital Development	2003 Redevelopment District Capital (Woodmark)	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ 66,026	\$ -	\$ 355,170
Intergovernmental	-	-	19,317	8,588	-	334,073
Charges for services	-	-	-	-	-	38,372
Fines and forfeits	-	-	-	-	-	61,788
Other	-	-	-	500	-	74,217
Total receipts	-	-	19,317	75,114	-	863,620
Disbursements:						
General government	-	-	-	-	-	65,068
Public safety	-	-	-	-	-	54,920
Highways and streets	-	-	-	39,361	-	322,909
Economic development	-	-	3,100	2,500	-	5,600
Culture and recreation	-	-	-	-	-	219,650
Urban redevelopment and housing	-	-	-	-	-	16,000
Debt service:						
Principal	-	-	-	35,795	-	125,795
Interest	-	-	-	2,411	-	24,203
Total disbursements	-	-	3,100	80,067	-	834,145
Excess (deficiency) of receipts over disbursements	-	-	16,217	(4,953)	-	29,475
Other financing sources (uses):						
Transfers out	-	-	-	-	-	(56,101)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	16,217	(4,953)	-	(26,626)
Cash and investment fund balance - beginning	<u>283,000</u>	<u>267,000</u>	<u>11,061</u>	<u>58,516</u>	<u>184,950</u>	<u>1,442,884</u>
Cash and investment fund balance - ending	<u>\$ 283,000</u>	<u>\$ 267,000</u>	<u>\$ 27,278</u>	<u>\$ 53,563</u>	<u>\$ 184,950</u>	<u>\$ 1,416,258</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ -	\$ 27,278	\$ 53,563	\$ -	\$ 451,262
Restricted assets:						
Cash and investments	<u>283,000</u>	<u>267,000</u>	<u>-</u>	<u>-</u>	<u>184,950</u>	<u>964,996</u>
Total cash and investment assets - ending	<u>\$ 283,000</u>	<u>\$ 267,000</u>	<u>\$ 27,278</u>	<u>\$ 53,563</u>	<u>\$ 184,950</u>	<u>\$ 1,416,258</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,475
Highways and streets	-	-	-	-	-	83,590
Culture and recreation	-	-	-	-	-	78,671
Debt service	283,000	267,000	-	-	-	612,310
Other purposes	-	-	-	-	184,950	184,950
Unrestricted	-	-	27,278	53,563	-	451,262
Total cash and investment fund balance - ending	<u>\$ 283,000</u>	<u>\$ 267,000</u>	<u>\$ 27,278</u>	<u>\$ 53,563</u>	<u>\$ 184,950</u>	<u>\$ 1,416,258</u>

CITY OF GAS CITY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	<u>Payroll</u>	<u>City Court</u>	<u>User Fee</u>	<u>Court Costs Due County</u>	<u>Totals</u>
Additions:					
Agency fund additions	\$ 1,960,719	\$ 1,299,828	\$ 19,167	\$ 105,845	\$ 3,385,559
Deductions:					
Agency fund deductions	1,959,455	1,714,877	11,213	105,845	3,791,390
Excess (deficiency) of total additions over total deductions	1,264	(415,049)	7,954	-	(405,831)
Cash and investment fund balance - beginning	22,447	943,586	36,965	(5,232)	997,766
Cash and investment fund balance - ending	<u>\$ 23,711</u>	<u>\$ 528,537</u>	<u>\$ 44,919</u>	<u>\$ (5,232)</u>	<u>\$ 591,935</u>

CITY OF GAS CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2008

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.

General infrastructure assets completed in the current year has been reported. Retroactive reporting of general infrastructure assets is not required.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,781,520
Infrastructure	518,816
Buildings	1,645,954
Improvements other than buildings	70,815
Machinery and equipment	<u>1,893,155</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 5,910,260</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 51,353
Construction in progress	22,500
Buildings	581,874
Improvements other than buildings	3,301,081
Machinery and equipment	272,908
Transportation equipment	<u>80,710</u>
 Total Water Utility capital assets	 <u>4,310,426</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	125,689
Buildings	131,956
Improvements other than buildings	10,676,875
Machinery and equipment	355,630
Transportation equipment	<u>159,418</u>
 Total Wastewater Utility capital assets	 <u>11,449,568</u>
 Electric Utility:	
Capital assets, not being depreciated:	
Buildings	239,342
Improvements other than buildings	3,695,063
Machinery and equipment	683,194
Transportation equipment	<u>379,860</u>
 Total Electric Utility capital assets	 <u>4,997,459</u>
 Total business-type activities capital assets	 <u>\$ 20,757,453</u>

CITY OF GAS CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Bonds payable:		
General obligation bonds:		
1995 Storm Water Management District Bonds	\$ 360,000	\$ 112,360
1995 Redevelopment District Tax Increment Bonds	255,000	136,011
1999 Redevelopment District Tax Increment Bonds	1,145,000	225,563
2003 Redevelopment District Tax Increment Bonds	385,000	96,425
2005 Redevelopment District Tax Increment Bonds	<u>2,670,000</u>	<u>196,913</u>
Total governmental activities debt	<u>\$ 4,815,000</u>	<u>\$ 767,272</u>
Business-type activities:		
Water Utility:		
Capital leases:		
Skidsteer and dozer	\$ 27,303	\$ 5,443
Loan:		
State Revolving Fund Loan	<u>1,084,940</u>	<u>100,448</u>
Total Water Utility	<u>1,112,243</u>	<u>105,891</u>
Wastewater Utility:		
Capital leases:		
Skidsteer and dozer	27,302	5,443
Loan:		
State Revolving Fund Loan	<u>6,344,945</u>	<u>447,727</u>
Total Wastewater Utility	<u>6,372,247</u>	<u>453,170</u>
Electric Utility:		
Capital leases:		
Skidsteer and dozer	27,302	5,443
Revenue bonds:		
Substation	<u>1,885,000</u>	<u>43,152</u>
Total Electric Utility	<u>1,912,302</u>	<u>48,595</u>
Total business-type activities debt	<u>\$ 9,396,792</u>	<u>\$ 607,656</u>

CITY OF GAS CITY
OTHER REPORTS

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

City Court
Municipal Utilities

CITY OF GAS CITY
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the State Revolving Loan Fund balances to their respective bank account balances were not prepared. Depository reconciliations of all other fund balances to their respective bank account balances were not prepared in a timely manner. When bank account reconciliations were prepared and errors were discovered, corrections were not made in a timely manner.

IC 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The following deficiencies relating to the record keeping were noted:

- (1) Transactions related to the State Revolving Loan were not posted to the records. These transactions included interest received and principal and interest payments disbursed.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

- (2) Cash balances reported by the City did not agree with cash balances reported by the Utilities. The City and the Utilities are not performing monthly reconciliations to identify differences. When reconciliations were attempted and differences were found, adjustments were not always recorded consistently by the City and the Utilities. The City may date the transaction back to the date of occurrence and the Utilities may date the transaction as of the date posted or vice versa. As of July 21, 2009, the City and the Utilities had not identified or corrected the differences between the cash balances for the period ending December 31, 2008.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the 3 Way Recreation Grant Fund, Law Enforcement Block Grant Fund, and Court Costs Due County Fund were overdrawn December 31, 2008.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Gas City (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2008. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 City'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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City's internal control over compliance.

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The City's response to the audit results and comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 18, 2009

CITY OF GAS CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	PL-04-057	\$ 16,000
Total for federal grantor agency			<u>16,000</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	OP-08-01-01-49 OP-09-01-01-50	2,350 <u>775</u>
Total for federal grantor agency			<u>3,125</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW05562701	<u>1,397,195</u>
Total for federal grantor agency			<u>1,397,195</u>
Total federal awards expended			<u>\$ 1,416,320</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF GAS CITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Gas City (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF GAS CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

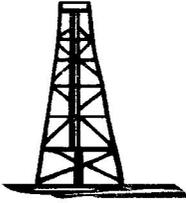
No matters are reportable.

CITY OF GAS CITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF GAS CITY
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2009, with Julie L. Flores, Clerk-Treasurer; H. Larry Leach, Mayor; and Larry J. Terwillegar, President of the Common Council. The official response has been made a part of this report and may be found on page 43.



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

August 27, 2009

Indiana State Board of Accounts
302 West Washington Street
Room E418
Indianapolis, Indiana 46204

Mr. Gary DeWitt,

Pertaining to our exit conference with Jeff Paul, the following issues will be addressed:

- We will notify Hughes and invoice them for the overpayment of \$13,328.00 on the electric sub-station.
- I will be working with the Board of Works on a policy on delinquent accounts (Accounts Receivable) for the Utilities Department.
- We will address and upgrade our Capital Assett policy.

Sincerely,

A handwritten signature in black ink that reads "H. Larry Leach". The signature is fluid and cursive, with a long horizontal stroke at the end.

H. Larry Leach, Mayor
Gas City
"The City With A Future"