

B37435

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

EXAMINATION REPORT
OF
CITY OF GAS CITY
GRANT COUNTY, INDIANA
January 1, 2009 to December 31, 2009



FILED
08/20/2010

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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	01-01-09 to 12-31-10
Superintendent of Utilities	Raymond P. Smith	01-01-09 to 12-31-10
Utilities Office Manager	Lisa K. Oliver	01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Gas City (City), for the period of January 1, 2009 to December 31, 2009. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 19, 2010

CITY OF GAS CITY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 423,920	\$ 1,764,684	\$ 1,691,422	\$ 497,182
Motor Vehicle Highway	62,610	265,905	245,457	83,058
Local Road and Street	20,980	45,521	12,132	54,369
Park and Recreation Operating	23,336	138,951	129,962	32,325
Park and Recreation Nonreverting Operating	40,162	29,894	39,629	30,427
3 Way Recreation	15,538	27,972	25,875	17,635
Home Detention	1,862	48,394	49,577	679
Clerk's Record Perpetuation	19,895	34,638	54,314	219
Law Enforcement Continuing Education	7,843	10,445	7,857	10,431
Riverboat	181,010	37,173	42,428	175,755
Rainy Day	2,639	4,979	-	7,618
Old Fashioned 4th	5,118	13,406	12,666	5,858
Youth Activity	1,372	-	-	1,372
Build Indiana Grant	111,138	-	-	111,138
Law Enforcement Block Grant	(4,245)	4,245	-	-
Operation Pullover	15	42,398	40,989	1,424
3 Way Recreation Grant	(365)	365	-	-
Wal-Mart Grant	71	-	-	71
Levy Excess	49,178	-	-	49,178
Allocation (TIF)	1,039,458	982,923	1,217,245	805,136
2005 Redevelopment District (Wal-Mart)	1,830,881	954,916	196,912	2,588,885
Storm Water Debt Service	62,310	106,555	113,560	55,305
TIF Debt Service Reserve	283,000	-	-	283,000
2005 Redevelopment Debt Service Reserve	267,000	-	-	267,000
Cumulative Capital Improvement	27,278	18,214	644	44,848
Cumulative Capital Development	53,563	70,637	32,062	92,138
2003 Redevelopment District Capital (Woodmark)	184,950	-	-	184,950
Proprietary Funds:				
Electric Utility - Operating	93,820	5,684,640	5,683,261	95,199
Electric Utility - Bond and Interest	362	163,160	162,804	718
Electric Utility - Depreciation	86,060	-	25,803	60,257
Electric Utility - Customer Deposit	121,456	30,430	23,222	128,664
Electric Utility - Construction	30,807	648	31,455	-
Electric Utility - Reserve	178,704	150,000	145,000	183,704
Electric Utility - Debt Service Reserve	167,760	-	-	167,760
Electric Utility - Gas Pump	7,948	5,389	13,337	-
Electric Utility - Tree	95,628	18,433	-	114,061
Water Utility - Operating	179,285	841,120	842,863	177,542
Water Utility - Bond and Interest	81,380	100,108	100,448	81,040
Water Utility - Depreciation	85,264	11,416	20,246	76,434
Water Utility - Customer Deposit	57,469	9,825	6,887	60,407
Water Utility - Reserve	103,512	-	-	103,512
Wastewater Utility - Operating	369,400	1,872,044	1,695,960	545,484
Wastewater Utility - Bond and Interest	343,851	403,275	447,727	299,399
Wastewater Utility - Depreciation	1,066,822	191,515	586,207	672,130
Wastewater Utility - Debt Service Reserve	204,649	24,206	-	228,855
Wastewater Utility - Gas Pump	(299)	5,706	5,407	-
Fiduciary Funds:				
Police Pension	19,104	136,164	114,594	40,674
Animal Shelter Zoo	1,455	5,504	4,977	1,982
Payroll	23,711	2,044,568	2,050,860	17,419
City Court	528,537	1,353,026	1,494,822	386,741
User Fee	44,919	29,199	4,892	69,226
Court Costs Due County	(5,232)	127,511	122,279	-
Totals	<u>\$ 8,596,889</u>	<u>\$ 17,810,102</u>	<u>\$ 17,495,782</u>	<u>\$ 8,911,209</u>

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

CITY OF GAS CITY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (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.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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

CITY OF GAS CITY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

CITY OF GAS CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

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	\$ 265,000	\$ 112,460
1995 Redevelopment District Tax Increment Bonds	130,000	133,718
1999 Redevelopment District Tax Increment Bonds	980,000	225,873
2003 Redevelopment District Tax Increment Bonds	305,000	92,825
2005 Redevelopment District Tax Increment Bonds	<u>2,670,000</u>	<u>320,438</u>
Total governmental activities debt	<u>\$ 4,350,000</u>	<u>\$ 885,314</u>
Business-type Activities:		
Water Utility:		
Capital lease:		
Skidsteer and dozer	\$ 23,371	\$ 5,443
Loans payable:		
2000 State Revolving Fund Loan	1,014,940	98,420
2009 State Revolving Fund Loan	<u>301,780</u>	<u>-</u> *
Total Water Utility	<u>1,340,091</u>	<u>103,863</u>
Wastewater Utility:		
Capital lease:		
Skidsteer and dozer	23,370	5,443
Loan payable:		
2007 State Revolving Fund Loan	<u>6,409,234</u>	<u>461,255</u>
Total Wastewater Utility	<u>6,432,604</u>	<u>466,698</u>
Electric Utility:		
Capital lease:		
Skidsteer and dozer	23,371	5,443
Revenue bonds:		
Substation	<u>1,810,000</u>	<u>41,558</u>
Total Electric Utility	<u>1,833,371</u>	<u>47,001</u>
Total business-type activities debt	<u>\$ 9,606,066</u>	<u>\$ 617,562</u>

*Project not completed, amortization schedule not available.

CITY OF GAS CITY
OTHER REPORT

The report presented herein was prepared in addition to the other official report prepared for the City of Gas City Court.

CITY OF GAS CITY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of fund balances to the bank account balances were not prepared in a timely manner. At one point, reconciliations had not been performed for five months. When depository reconciliations were prepared and errors were discovered, corrections were not made in a timely manner. The depository reconciliation presented for December 31, 2009, did not reconcile to the funds ledger and included uncorrected errors from 2007, 2008, and 2009. A similar comment appeared in prior Report B34826.

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)

OLD OUTSTANDING CHECKS

An examination of the bank account reconciliation as of December 31, 2009, revealed checks outstanding in excess of two years. The reconciliation prepared by the Clerk-Treasurer included \$8,225 of outstanding checks in excess of two years. The reconciliation prepared for the customer deposit refund account included \$1,421 of outstanding checks in excess of two years, with some checks up to 10 years old.

IC 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

IC 5-11-10.5-3 states in part:

"Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

IC 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

CITY OF GAS CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

CREDIT CARDS

An examination of credit card payments noted charges made without supporting documentation. In one instance, payments for two different hotel charges were made without attached hotel bills. On another occasion, hotel room service charges were not documented.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GAS CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERPAYMENT COLLECTIONS

As noted in prior Report B34827, a contract was awarded for \$1,115,711, including change orders, to furnish the equipment for the Electric Substation Project, which was completed in 2006. Payments on this contract totaled \$1,129,039. The difference of \$13,328 could not be explained by the officials. As of June 22, 2010, a refund had not been received. The officials are trying to resolve this issue with the contractor.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION

The swimming pool uses a cash register to record the amounts collected each day. Cash register tapes to support the amounts receipted and deposited were not available for examination for 53% of the days tested.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

Additions and deletions of capital assets were not properly recorded for 2009. A physical inventory of capital assets has not been completed for several years.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The Utilities do not have a written policy for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Therefore, collection procedures are not applied consistently to all customers. A similar comment appeared in prior Report B34827.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

CITY OF GAS CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties on active customer accounts had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. Some liens were filed for non-active wastewater accounts. A similar comment appeared in prior Report B34827.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) a description of the premises, as shown by the records of the county auditor; and

(C) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register was not reconciled to the customer deposit cash account maintained by the Utilities. A similar comment appeared in prior Report B34827.

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)

CITY OF GAS CITY
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2010, with Julie L. Flores, Clerk-Treasurer; H. Larry Leach, Mayor; Raymond P. Smith, Superintendent of Utilities; 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 14.



Gas City "The City With A Future"

Julie L. Flores, Clerk-Treasurer

211 E. Main Street • Gas City, Indiana 46933
Ph: 765-677-3079 • Fax: 765-677-4761 • Email: gascityclerk@indy.rr.com

July 28, 2010

To Whom It May Concern:

In response to comments brought to us as a result of the audit of Gas City's books, I would offer the following explanations:

BANK ACCOUNT RECONCILIATIONS

Bank reconciliations are performed every month. I had balanced through the month of July 2009, at which time I was being audited for 2008. I was advised at that time that I was not reconciling BONY statements for SRF wastewater project properly. I was given an adjusting entry by SBOA for 2008 and 2009 activity to date. My bank reconciliations never balanced after that entry. I asked for help in getting figures straight and road mapped correctly, but never got assistance. When 2009 audit began on day one I asked for the same help and continued to ask through the audit. Even on the last day I asked that before departing, I get help in getting correct procedure in place. It wasn't until after our exit conference and another entity was being audited at our facility, that I was able to verify a roadmap for entries.

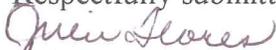
OLD OUTSTANDING CHECKS

During each of the years I have been audited, I've been given an entry by SBOA auditors to remove old outstanding checks from my record. While I understand IC 5-11-10.5-2, IC 5-11-10.5-3, and IC 5-11-10.5-5, and I understand it is not a SBOA responsibility but my responsibility, I've never regularly performed this function. It will be done by this office in the future.

CREDIT CARD

Every attempt is made to verify charges to American Express credit card (the card referred in audit comment) I continually remind those charging to this card that a detailed bill needs to be attached, and not a summary of charges.

Respectfully submitted,


Julie Flores

City Council:

Donald Clark, David Huffman, Michael Planck, Larry Terwillegar, Jim Richards