

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

EXAMINATION REPORT  
OF  
TOWN OF GOSPORT  
OWEN COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
12/10/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tracy Snodgrass	01-01-08 to 11-12-09
	(Vacant)	11-13-09 to 11-23-09
	Wyatt Holsapple	11-24-09 to 12-31-11
President of the Town Council	Ernie Arnold	01-01-08 to 12-31-08
	Wes Correll	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 TOWN OF GOSPORT, OWEN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Gosport (Town), for the period of January 1, 2008 to December 31, 2009. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2008 and 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

September 23, 2010

TOWN OF GOSPORT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 37,230	\$ 87,920	\$ 134,818	\$ (9,668)
Motor Vehicle Highway	11,479	23,491	31,569	3,401
Local Road and Street	3,820	3,291	137	6,974
Fire	945	2,050	1,968	1,027
Fire Grant	-	55,088	55,088	-
Riverboat	-	8,994	-	8,994
Rainy Day	3,554	4,463	511	7,506
Economic Development Income Tax (EDIT)	4,577	11,047	951	14,673
Cumulative Capital Improvement	4,359	2,325	-	6,684
Proprietary Funds:				
Water Utility - Operating	16,725	309,779	293,796	32,708
Water Utility - Bond and Interest	12,039	50,451	7,975	54,515
Water Utility - Depreciation	57,146	60,188	82,530	34,804
Water Utility - Customer Deposit	18,684	2,419	1,789	19,314
Water Utility - Debt Service Reserve	69,127	890	912	69,105
Wastewater Utility - Operating	8,833	134,587	138,514	4,906
Wastewater Utility - Bond and Interest	38,785	48,621	42,494	44,912
Fiduciary Fund:				
Payroll	2,857	144,745	145,406	2,196
Totals	<u>\$ 290,160</u>	<u>\$ 950,349</u>	<u>\$ 938,458</u>	<u>\$ 302,051</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ (9,668)	\$ 236,557	\$ 237,603	\$ (10,714)
Motor Vehicle Highway	3,401	23,448	13,952	12,897
Local Road and Street	6,974	3,140	6,880	3,234
Fire	1,027	-	-	1,027
Riverboat	8,994	4,475	-	13,469
Rainy Day	7,506	1,864	-	9,370
Economic Development Income Tax (EDIT)	14,673	13,642	-	28,315
Cumulative Capital Improvement	6,684	2,192	2,733	6,143
Proprietary Funds:				
Water Utility - Operating	32,708	294,085	314,707	12,086
Water Utility - Bond and Interest	54,515	42,188	89,003	7,700
Water Utility - Depreciation	34,804	16,866	2,000	49,670
Water Utility - Customer Deposit	19,314	1,835	1,396	19,753
Water Utility - Debt Service Reserve	69,105	172	9,130	60,147
Wastewater Utility - Operating	4,906	135,681	105,168	35,419
Wastewater Utility - Bond and Interest	44,912	4,075	41,816	7,171
Fiduciary Fund:				
Payroll	2,196	156,102	146,243	12,055
Totals	<u>\$ 302,051</u>	<u>\$ 936,322</u>	<u>\$ 970,631</u>	<u>\$ 267,742</u>

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

TOWN OF GOSPORT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

Note 6. Subsequent Event

On October 30, 2010, the Town issued a check for \$64,000 to the Bank of New York, transferring the balance of the Water Utility's Debt Service Reserve Account to the Indiana Finance Authority's trustee bank. The Town signed an "Agreement for Services to Hold in Trust the Debt Service Reserve Account", with the Bank of New York Mellon Trust Company.

TOWN OF GOSPORT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	\$ <u>11,444</u>	\$ <u>3,662</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water Improvements	\$ <u>484,000</u>	\$ <u>48,036</u>
Wastewater Utility:		
Revenue bonds:		
Wastewater Improvements	<u>575,000</u>	<u>42,750</u>
Total business-type activities debt	\$ <u>1,059,000</u>	\$ <u>90,786</u>



TOWN OF GOSPORT  
EXAMINATION RESULTS AND COMMENTS

SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES -  
INDIVIDUAL RETIREMENT ACCOUNT PLAN (Town)

As previously reported, most recently in Report B33373, the Town has a Savings Incentive Match Plan for Employees (SIMPLE) Individual Retirement Account (IRA) Plan for employees. The Town provides matching contributions to this plan up to 3% of gross wages. In 2009, the Town contributed matching funds of \$997 to this plan.

Per Indiana Code, the following pension plans are available to employees of a city or town:

Public Employees' Retirement Fund (IC 5-10.3)  
Municipal Utility Employees' Pension Fund (IC 8-1.5-3-7)  
Deferred Compensation (IC 5-10-1.1)

Pursuant to IC 5-10.2-2-1, a city or town does not have authority to establish a pension plan by ordinance, resolution, or contract after January 1, 1995, without specific statutory authority. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL (Town and Water Utility)

The Town of Gosport owes the Water Utility hydrant rental of \$9,306 per year for each of the years 2008 and 2009, pursuant to Rate Ordinance 2005-3 passed by the Council on March 7, 2005. As previously reported in Report B33373, the same amounts for each of the years 2006 and 2007 remain unpaid.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT (Town)

An annual report for 2008 and 2009 was not presented for examination.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CUSTOMER DEPOSIT REGISTER (Water Utility)

As previously reported, most recently in Report B33373, the Town does not maintain the "Guarantee Deposit Register" (Utility Form 316). The computer software program records a meter deposit balance for customer accounts, but this is never reconciled to the bank account. The balance in the Customer Deposit Fund at December 31, 2009, was \$19,753.

TOWN OF GOSPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The following improper withdrawals of \$7,949, previously reported in Report B33373, were never reimbursed to the Customer Deposit Fund:

On February 22, 2006, \$2,075 was withdrawn from the Water Meter Savings Account and remitted to the United States Treasury for the payment of a tax liability.

On October 25, 2005, \$5,874 was withdrawn for the same purpose.

At all times, the manual and 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)

TEMPORARY TRANSFER OF FUNDS (Town and Utilities)

Emergency temporary transfers of \$15,000 and \$4,000 were made in 2008 from the General Fund to the Water Operating and Wastewater Operating Fund, respectively, and not repaid by six months beyond the budget year. The loans have been repaid as of December 17, 2009.

IC 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

TRANSACTION RECORDING (Water and Wastewater Utilities)

Some items, such as bond principal and interest payments, vendor payments, and transfers to other accounts, were not entered in the records of the utilities. Withdrawals for these items, other than transfers, which were directly recorded by the bank, were issued by the bank in the form of cashier checks payable to the vendors. Documentation of these transactions was obtained from the bank for verification.

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)

TOWN OF GOSPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

BANK ACCOUNT RECONCILIATIONS (Town and Utilities)

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

IC 5-13-6-1(e) states: "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)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS (Wastewater Utility)

As previously stated, most recently in Report B33373, gross revenues were not being distributed to the various utility funds in accordance with Revenue Bond Ordinance No. 7-6-93. There is no money set aside in a Debt Service Reserve Account, which, according to the bond ordinance, should have been fully funded within 10 years in the amount of \$43,050. Also, there is no money set aside in an Operation and Maintenance Fund, which, according to the bond ordinance, should have a balance sufficient to pay the expenses of operation, repair, and maintenance for the next succeeding 2 calendar months.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Town)

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2008	\$ 11,293
Motor Vehicle Highway	2008	11,570
General	2009	110,195
Local Road and Street	2009	2,880

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF GOSPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CAPITAL ASSET RECORDS (Town and Utilities)

As previously reported, most recently in Report B33373, the Town does not maintain an inventory of capital assets. The Town Council has not established a capitalization policy.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

Each city or town should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which equipment items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS (Town and Utilities)

The following prescribed or approved forms were not always in use: Payroll Schedule and Voucher (General Form 99), Employee's Service Record (General Form 99A), Clerk-Treasurer's Receipt (Town Form 217), Ledger of Appropriations, Encumbrances, Disbursements and Balances (City and Town Form 209), Accounts Payable Voucher (Town Form 39), General Fixed Assets Account Group (City and Town Form 211), Guarantee Deposit Register (Utility Form 319).

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

FUND SOURCES AND USES (Town)

Funds were disbursed from the Motor Vehicle Highway Fund to purchase fuel and pay utilities for the Gosport Volunteer Fire Department. In 2008, receipts of \$6,560 from the Cities and Town Court Cost distribution were incorrectly deposited and disbursed from the Police Reserve checking account instead of the General Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCE (Town)

The General Fund was overdrawn in 2008 and 2009.

The fund 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)

TOWN OF GOSPORT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PAYROLL FUND (Town and Utilities)

As previously reported, most recently in Report B33373, the Town has established a payroll fund to account for all payroll, payroll withholdings, employer taxes and employee benefits. Transfers to the payroll fund from the various departments of the Town are made without the completion of a Payroll Schedule and Voucher (General Form 99) covering the personal services of that office or department. The balance of the payroll fund is not reconciled to the amounts due to taxing authorities and other vendors. Subsidiary ledger accounts are not maintained for each type of payroll withholding, employer tax and employee benefit or net payroll.

At all times, the manual and 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)

TOWN OF GOSPORT  
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2010, with Wyatt Holsapple, Clerk-Treasurer, and Wes Correll, President of the Town Council. The officials concurred with our findings.

Tracy Snodgrass, former Clerk-Treasurer, could not be contacted to arrange an exit conference.