

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

ANNUAL FINANCIAL REPORT

2010

CITY OF GAS CITY

GRANT COUNTY, INDIANA



**FILED**

08/31/2011



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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 and Safety	H. Larry Leach	01-01-08 to 12-31-11
President of the Common Council	Larry J. Terwillegar	01-01-10 to 12-31-11
Superintendent of Utilities	Raymond P. Smith	01-01-10 to 12-31-11
Utilities Office Manager	Lisa K. Oliver	01-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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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 statement of the City of Gas City (City), for the year ended December 31, 2010. This financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 10, 2011, 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 integral part of 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 an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement.

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

Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

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 10, 2011



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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 statement of the City of Gas City (City), for the year ended December 31, 2010, and have issued our report thereon dated August 10, 2011. 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 opinion on the financial statement, 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis.

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

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 10, 2011

FINANCIAL STATEMENT

CITY OF GAS CITY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 497,182	\$ 1,917,288	\$ 1,882,545	\$ 531,925
Motor Vehicle Highway	83,058	262,203	274,061	71,200
Local Road and Street	54,369	42,500	46,467	50,402
Park	32,325	150,578	145,134	37,769
User Fee-Home Monitoring	679	48,097	45,267	3,509
Old Fashioned 4th	5,858	13,290	10,807	8,341
Zoo	1,982	4,622	5,575	1,029
Law Enforcement Continuing Education	10,431	16,014	10,654	15,791
Clerk's Record Perpetuation	219	13,961	12,945	1,235
Riverboat	175,755	37,173	43,395	169,533
Dr2 Project SR32592	-	73,641	73,641	-
3-Way Recreation	17,635	29,692	47,327	-
User Fee	69,226	38,968	32,686	75,508
Youth Activity	1,372	-	-	1,372
Homeland Security Grant Rescue Squad	-	3,345	3,345	-
Park Nonreverting Operating	30,427	31,060	34,571	26,916
Rainy Day	7,618	67,481	-	75,099
Build Indiana Grant (Downtown)	111,138	-	-	111,138
Levy Excess	49,178	3,506	-	52,684
Wal-Mart Grant Police Department	71	-	-	71
Operation Pullover	1,424	10,975	11,930	469
Allocation (TIF)	805,136	1,051,648	731,086	1,125,698
2003 Redevelopment District Capital (Woodmark)	184,950	-	-	184,950
2005 Redevelopment District (Wal-Mart)	2,588,885	561,059	320,438	2,829,506
Court Costs Due County	-	113,070	89,816	23,254
FEMA Grant Fire Department	-	-	2,680	(2,680)
TIF Debt Service Reserve	283,000	-	-	283,000
Storm Water Debt Service	55,305	171,184	114,288	112,201
2005 Redevelopment Debt Service Reserve	267,000	-	-	267,000
Cumulative Capital Development	92,138	73,861	26,770	139,229
Cumulative Capital Improvement	44,848	8,346	14,030	39,164
Thompson/Ray House Grant	-	601,278	585,868	15,410
Police Pension	40,674	78,558	114,594	4,638
Payroll	17,419	2,078,470	2,093,885	2,004
City Court	386,741	1,347,093	1,416,762	317,072
Electric Operating	94,799	5,529,669	5,581,650	42,818
Electric Bond and Interest	718	165,047	164,616	1,149
Electric Depreciation	60,257	-	48,175	12,082
Electric Meter Deposits	128,414	31,449	25,194	134,669
Electric Construction	-	60	60	-
Electric Reserve	183,704	150,000	150,000	183,704
Electric Meter Deposits Checking	250	-	-	250
Electric Petty Cash	400	-	-	400
Electric Gas Pump	-	6,224	-	6,224
Electric Tree	114,061	35,400	139,254	10,207
Electric Debt Service Reserve	167,760	-	-	167,760
Wastewater Operating	545,484	1,464,539	1,454,913	555,110
Wastewater Bond and Interest	299,399	499,450	499,515	299,334
Wastewater Depreciation	672,130	-	62,942	609,188
Wastewater Gas Pump	-	1,789	-	1,789
Wastewater Debt Service Reserve	228,855	100,819	7,720	321,954
Water Operating	177,242	1,259,138	1,210,683	225,697
Water Bond and Interest	81,040	324,186	145,435	259,791
Water Depreciation	76,434	-	37,080	39,354
Water Meter Deposits	60,157	10,395	6,942	63,610
Water Construction	-	3,500,292	3,500,292	-
Water Construction Retainage	-	247,886	30,237	217,649
Water Meter Deposits Checking	250	-	-	250
Water Petty Cash	300	-	-	300
Water Debt Service Reserve	103,512	73,341	12,939	163,914
OCRA Grant	-	1,487,121	1,487,121	-
Totals	<u>\$ 8,911,209</u>	<u>\$ 23,735,766</u>	<u>\$ 22,755,335</u>	<u>\$ 9,891,640</u>

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

CITY OF GAS CITY  
NOTES TO FINANCIAL STATEMENT

**Note 1. 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 some or all of 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, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF GAS CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF GAS CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF GAS CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

**Note 5. Risk Management**

The City may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

**Note 6. Pension Plan(s)**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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:

CITY OF GAS CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

The 1925 Police Officers' Pension Plan 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*

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

*On Behalf Payments*

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

*C. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is 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 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. 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:

CITY OF GAS CITY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*Funding Policy*

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Gas City's Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road and Street	Park	User Fee-Home Monitoring	Old Fashioned 4th	Zoo
Cash and investments - beginning	\$ 497,182	\$ 83,058	\$ 54,369	\$ 32,325	\$ 679	\$ 5,858	\$ 1,982
Receipts:							
Taxes	740,789	98,882	-	107,701	-	-	-
Licenses and permits	1,340	-	-	-	-	-	-
Intergovernmental	389,565	156,775	42,500	11,365	-	-	-
Charges for services	348,002	1,320	-	28,667	-	-	-
Fines and forfeits	268,967	-	-	-	48,097	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	168,625	5,226	-	2,845	-	13,290	4,622
Total receipts	<u>1,917,288</u>	<u>262,203</u>	<u>42,500</u>	<u>150,578</u>	<u>48,097</u>	<u>13,290</u>	<u>4,622</u>
Disbursements:							
Personal services	1,186,920	219,409	-	48,963	2,830	-	-
Supplies	100,384	19,104	-	32,077	1,081	10,807	-
Other services and charges	522,712	30,468	46,467	64,094	41,356	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	11,039	5,080	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	61,490	-	-	-	-	-	5,575
Total disbursements	<u>1,882,545</u>	<u>274,061</u>	<u>46,467</u>	<u>145,134</u>	<u>45,267</u>	<u>10,807</u>	<u>5,575</u>
Excess (deficiency) of receipts over disbursements	<u>34,743</u>	<u>(11,858)</u>	<u>(3,967)</u>	<u>5,444</u>	<u>2,830</u>	<u>2,483</u>	<u>(953)</u>
Cash and investments - ending	<u>\$ 531,925</u>	<u>\$ 71,200</u>	<u>\$ 50,402</u>	<u>\$ 37,769</u>	<u>\$ 3,509</u>	<u>\$ 8,341</u>	<u>\$ 1,029</u>

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Law Enforcement Continuing Education	Clerk's Record Perpetuation	Riverboat	Dr2 Project SR32592	3-Way Recreation	User Fee	Youth Activity
Cash and investments - beginning	\$ 10,431	\$ 219	\$ 175,755	\$ -	\$ 17,635	\$ 69,226	\$ 1,372
Receipts:							
Taxes	-	-	-	-	26,858	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	37,173	73,641	2,834	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	16,014	-	-	-	-	38,968	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	13,961	-	-	-	-	-
Total receipts	<u>16,014</u>	<u>13,961</u>	<u>37,173</u>	<u>73,641</u>	<u>29,692</u>	<u>38,968</u>	<u>-</u>
Disbursements:							
Personal services	-	5,558	-	-	-	-	-
Supplies	10,504	2,772	43,395	-	-	-	-
Other services and charges	150	-	-	-	16,713	32,686	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	4,615	-	73,641	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	30,614	-	-
Total disbursements	<u>10,654</u>	<u>12,945</u>	<u>43,395</u>	<u>73,641</u>	<u>47,327</u>	<u>32,686</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>5,360</u>	<u>1,016</u>	<u>(6,222)</u>	<u>-</u>	<u>(17,635)</u>	<u>6,282</u>	<u>-</u>
Cash and investments - ending	<u>\$ 15,791</u>	<u>\$ 1,235</u>	<u>\$ 169,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,508</u>	<u>\$ 1,372</u>

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Homeland Security Grant Rescue Squad	Park Nonreverting Operating	Rainy Day	Build Indiana Grant (Downtown)	Levy Excess	Wal-Mart Grant Police Department
Cash and investments - beginning	\$ -	\$ 30,427	\$ 7,618	\$ 111,138	\$ 49,178	\$ 71
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	3,345	-	67,481	-	-	-
Charges for services	-	4,643	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	26,417	-	-	3,506	-
<b>Total receipts</b>	<b>3,345</b>	<b>31,060</b>	<b>67,481</b>	<b>-</b>	<b>3,506</b>	<b>-</b>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	3,345	34,571	-	-	-	-
<b>Total disbursements</b>	<b>3,345</b>	<b>34,571</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	-	(3,511)	67,481	-	3,506	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ 26,916</u>	<u>\$ 75,099</u>	<u>\$ 111,138</u>	<u>\$ 52,684</u>	<u>\$ 71</u>

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Operation Pullover	Allocation (TIF)	2003 Redevelopment District Capital (Woodmark)	2005 Redevelopment District (Wal-Mart)	Court Costs Due County	FEMA Grant Fire Department
Cash and investments - beginning	\$ 1,424	\$ 805,136	\$ 184,950	\$ 2,588,885	\$ -	\$ -
Receipts:						
Taxes	-	1,037,706	-	561,059	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	10,975	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	113,070	-
Utility fees	-	-	-	-	-	-
Other receipts	-	13,942	-	-	-	-
Total receipts	10,975	1,051,648	-	561,059	113,070	-
Disbursements:						
Personal services	10,670	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,260	-	-	-	-	-
Debt service - principal and interest	-	452,416	-	320,438	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	278,670	-	-	89,816	2,680
Total disbursements	11,930	731,086	-	320,438	89,816	2,680
Excess (deficiency) of receipts over disbursements	(955)	320,562	-	240,621	23,254	(2,680)
Cash and investments - ending	\$ 469	\$ 1,125,698	\$ 184,950	\$ 2,829,506	\$ 23,254	\$ (2,680)

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	TIF Debt Service Reserve	Storm Water Debt Service	2005 Redevelopment Debt Service Reserve	Cumulative Capital Development	Cumulative Capital Improvement	Thompson/Ray House Grant
Cash and investments - beginning	\$ 283,000	\$ 55,305	\$ 267,000	\$ 92,138	\$ 44,848	\$ -
Receipts:						
Taxes	-	104,094	-	66,811	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	10,983	-	7,050	8,346	327,418
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	56,107	-	-	-	273,860
Total receipts	-	171,184	-	73,861	8,346	601,278
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	1,200	-	-	-	-
Other services and charges	-	-	-	14,803	13,185	-
Debt service - principal and interest	-	112,460	-	-	-	-
Capital outlay	-	-	-	11,967	845	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	628	-	-	-	585,868
Total disbursements	-	114,288	-	26,770	14,030	585,868
Excess (deficiency) of receipts over disbursements	-	56,896	-	47,091	(5,684)	15,410
Cash and investments - ending	\$ 283,000	\$ 112,201	\$ 267,000	\$ 139,229	\$ 39,164	\$ 15,410

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Police Pension	Payroll	City Court	Electric Operating	Electric Bond and Interest	Electric Depreciation
Cash and investments - beginning	\$ 40,674	\$ 17,419	\$ 386,741	\$ 94,799	\$ 718	\$ 60,257
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	78,558	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	5,482,244	-	-
Other receipts	-	2,078,470	1,347,093	47,425	165,047	-
Total receipts	<u>78,558</u>	<u>2,078,470</u>	<u>1,347,093</u>	<u>5,529,669</u>	<u>165,047</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	114,594	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	163,116	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	5,231,202	-	48,175
Other disbursements	-	2,093,885	1,416,762	350,448	1,500	-
Total disbursements	<u>114,594</u>	<u>2,093,885</u>	<u>1,416,762</u>	<u>5,581,650</u>	<u>164,616</u>	<u>48,175</u>
Excess (deficiency) of receipts over disbursements	<u>(36,036)</u>	<u>(15,415)</u>	<u>(69,669)</u>	<u>(51,981)</u>	<u>431</u>	<u>(48,175)</u>
Cash and investments - ending	<u>\$ 4,638</u>	<u>\$ 2,004</u>	<u>\$ 317,072</u>	<u>\$ 42,818</u>	<u>\$ 1,149</u>	<u>\$ 12,082</u>

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Electric Meter Deposits	Electric Construction	Electric Reserve	Electric Meter Deposits Checking	Electric Petty Cash	Electric Gas Pump
Cash and investments - beginning	\$ 128,414	\$ -	\$ 183,704	\$ 250	\$ 400	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	31,449	60	150,000	-	-	6,224
Total receipts	<u>31,449</u>	<u>60</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>6,224</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	25,194	60	150,000	-	-	-
Total disbursements	<u>25,194</u>	<u>60</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>6,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,224</u>
Cash and investments - ending	<u>\$ 134,669</u>	<u>\$ -</u>	<u>\$ 183,704</u>	<u>\$ 250</u>	<u>\$ 400</u>	<u>\$ 6,224</u>

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Electric Tree	Electric Debt Service Reserve	Wastewater Operating	Wastewater Bond and Interest	Wastewater Depreciation	Wastewater Gas Pump
Cash and investments - beginning	\$ 114,061	\$ 167,760	\$ 545,484	\$ 299,399	\$ 672,130	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,433,911	-	-	-
Other receipts	35,400	-	30,628	499,450	-	1,789
Total receipts	<u>35,400</u>	<u>-</u>	<u>1,464,539</u>	<u>499,450</u>	<u>-</u>	<u>1,789</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	461,255	-	-
Capital outlay	139,254	-	-	-	-	-
Utility operating expenses	-	-	854,644	-	62,942	-
Other disbursements	-	-	600,269	38,260	-	-
Total disbursements	<u>139,254</u>	<u>-</u>	<u>1,454,913</u>	<u>499,515</u>	<u>62,942</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(103,854)</u>	<u>-</u>	<u>9,626</u>	<u>(65)</u>	<u>(62,942)</u>	<u>1,789</u>
Cash and investments - ending	<u>\$ 10,207</u>	<u>\$ 167,760</u>	<u>\$ 555,110</u>	<u>\$ 299,334</u>	<u>\$ 609,188</u>	<u>\$ 1,789</u>

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Wastewater Debt Service Reserve	Water Operating	Water Bond and Interest	Water Depreciation	Water Meter Deposits	Water Construction
Cash and investments - beginning	\$ 228,855	\$ 177,242	\$ 81,040	\$ 76,434	\$ 60,157	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	1,247,391	-	-	-	-
Other receipts	100,819	11,747	324,186	-	10,395	3,500,292
Total receipts	<u>100,819</u>	<u>1,259,138</u>	<u>324,186</u>	<u>-</u>	<u>10,395</u>	<u>3,500,292</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	124,253	-	-	-
Capital outlay	-	40,000	-	-	-	3,500,292
Utility operating expenses	-	773,154	-	37,080	-	-
Other disbursements	7,720	397,529	21,182	-	6,942	-
Total disbursements	<u>7,720</u>	<u>1,210,683</u>	<u>145,435</u>	<u>37,080</u>	<u>6,942</u>	<u>3,500,292</u>
Excess (deficiency) of receipts over disbursements	<u>93,099</u>	<u>48,455</u>	<u>178,751</u>	<u>(37,080)</u>	<u>3,453</u>	<u>-</u>
Cash and investments - ending	<u>\$ 321,954</u>	<u>\$ 225,697</u>	<u>\$ 259,791</u>	<u>\$ 39,354</u>	<u>\$ 63,610</u>	<u>\$ -</u>

CITY OF GAS CITY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Water Construction Retainage	Water Meter Deposits Checking	Water Petty Cash	Water Debt Service Reserve	OCRA Grant	Totals
Cash and investments - beginning	\$ -	\$ 250	\$ 300	\$ 103,512	\$ -	\$ 8,911,209
Receipts:						
Taxes	-	-	-	-	-	2,743,900
Licenses and permits	-	-	-	-	-	1,340
Intergovernmental	-	-	-	-	1,487,121	2,715,130
Charges for services	-	-	-	-	-	382,632
Fines and forfeits	-	-	-	-	-	485,116
Utility fees	-	-	-	-	-	8,163,546
Other receipts	247,886	-	-	73,341	-	9,244,102
Total receipts	<u>247,886</u>	<u>-</u>	<u>-</u>	<u>73,341</u>	<u>1,487,121</u>	<u>23,735,766</u>
Disbursements:						
Personal services	-	-	-	-	-	1,474,350
Supplies	-	-	-	-	-	221,324
Other services and charges	-	-	-	-	-	898,488
Debt service - principal and interest	-	-	-	-	-	1,633,938
Capital outlay	30,237	-	-	-	1,487,121	5,304,091
Utility operating expenses	-	-	-	-	-	7,007,197
Other disbursements	-	-	-	12,939	-	6,215,947
Total disbursements	<u>30,237</u>	<u>-</u>	<u>-</u>	<u>12,939</u>	<u>1,487,121</u>	<u>22,755,335</u>
Excess (deficiency) of receipts over disbursements	<u>217,649</u>	<u>-</u>	<u>-</u>	<u>60,402</u>	<u>-</u>	<u>980,431</u>
Cash and investments - ending	<u>\$ 217,649</u>	<u>\$ 250</u>	<u>\$ 300</u>	<u>\$ 163,914</u>	<u>\$ -</u>	<u>\$ 9,891,640</u>

CITY OF GAS CITY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2010

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	\$ 165,000	\$ 117,205
1999 Redevelopment District Tax Increment Bonds	805,000	225,613
2003 Redevelopment District Tax Increment Bonds	225,000	99,113
2005 Redevelopment District Tax Increment Bonds	<u>2,545,000</u>	<u>364,375</u>
Total governmental activities debt	<u>\$ 3,740,000</u>	<u>\$ 806,306</u>
Business-type Activities:		
Water Utility		
Capital lease:		
Skidsteer and dozer	\$ 19,209	\$ 5,443
Loans payable:		
2000 State Revolving Fund Loan	944,940	101,318
2009 State Revolving Fund Loan	<u>3,802,072</u>	<u>248,317</u>
Total Water Utility	<u>4,766,221</u>	<u>355,078</u>
Wastewater Utility		
Capital lease:		
Skidsteer and dozer	19,209	5,443
Loan payable:		
2007 State Revolving Fund Loan	<u>6,149,234</u>	<u>457,870</u>
Total Wastewater Utility	<u>6,168,443</u>	<u>463,313</u>
Electric Utility		
Capital lease:		
Skidsteer and dozer	19,209	5,443
Revenue bonds:		
Substation	<u>1,730,000</u>	<u>39,858</u>
Total Electric Utility	<u>1,749,209</u>	<u>45,301</u>
Total business-type activities debt	<u>\$ 12,683,873</u>	<u>\$ 863,692</u>

CITY OF GAS CITY  
AUDIT RESULTS AND COMMENTS

***ANNUAL REPORT***

The annual report prepared and published for the year 2010 contained incorrect amounts in various funds. These amounts have been corrected for presentation in the financial statement contained in this report.

Indiana Code 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 . . ."

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)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were not prepared in a timely manner. When reconciliations were prepared and errors were discovered, corrections were not always made in a timely manner. A similar comment appeared in prior Report B37435.

Indiana Code 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)

***RECONCILEMENT OF UTILITY GENERAL LEDGERS AND CITY FUNDS LEDGER***

Monthly cash balances on the Utility general ledgers are not reconciled to the cash balances on the City funds ledger.

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)

***CAPITAL ASSET RECORDS***

Additions and deletions of capital assets have not been properly recorded for 2010. A physical inventory of capital assets does not appear to have been completed for several years. A similar comment appeared in prior Report B37435.

CITY OF GAS CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset 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. This is also contributing to an increase in unpaid account balances in excess of 90 days. A similar comment appeared in prior Report B37435.

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.

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 customers 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. A similar comment appeared in prior Report B37435.

Indiana Code 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.
  - (C) The amount of the delinquent fees, together with the penalty.
- (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 . . ."

CITY OF GAS CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

"(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 B37435.

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)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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Web Site: [www.in.gov/sboa](http://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 each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are 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 each of its major federal programs 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 each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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)

A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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 10, 2011

CITY OF GAS CITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2010

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 CDBG - State Administered Small Cities Program Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CF-09-109 DR2-09-035	\$ 327,418 <u>1,487,121</u>
Total for federal grantor agency			<u>1,814,539</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Grant County Highway Safety Cluster State and Community Highway Safety	20.600	PT-11-04-04-18 PT-10-04-04-18	875 <u>4,124</u>
Total for program			<u>4,999</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	CA-2011-08-01-06 K8-2011-03-03-09 K8-2010-03-03-09 K4-2010-08-01-06	31 900 2,400 <u>3,600</u>
Total for program			<u>6,931</u>
Total for federal grantor agency			<u>11,930</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW09022702	<u>1,632,394</u>
Total for federal grantor agency			<u>1,632,394</u>
Total federal awards expended			<u>\$ 3,458,863</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 and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF GAS CITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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 Programs:

CFDA Number	Name of Federal Program or Cluster
66.468	CDBG - State Administered Small Cities Program Cluster Capitalization Grants for Drinking 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 10, 2011, 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 39.



# 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

August 16, 2011

To Whom It May Concern:

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

## RECONCILEMENT OF UTILITY GENERAL LEDGERS AND CITY FUNDS LEDGER

My procedure for balancing with the Utility Dept. has not changed in the 12 years that I have been here. If there were discrepancies in our figures, the office manager would advise me of such, and we would research until errors were found and corrections would be made at that time. If the office manager does not notify me of a discrepancy in our figures, I have to believe that we balance. When I was made aware that we were not in balance, I would advise the office manager when delivering my figures that we needed to get balanced. I also made the office manager's supervisor aware that I was not being advised of discrepancies and that we needed to get balanced. The mayor was also made aware that I had spoke to the supervisor and office manager of the need to get balanced. I believe I have done everything in my power to try and rectify the situation. I have no power over the office manager and feel like it was the supervisor's responsibility to make sure the office manager communicated with me about status of utility figures.

## CAPITAL ASSET RECORDS

During the 2009 exit conference, there was a comment on capital asset reporting. The mayor, council president and myself, all agree that this comment was directed to the utility capital asset record and not the city capital asset record. My capital asset reporting for 2010 was kept updated, with additions and deletions being made throughout the year.

Respectfully submitted,

Julie L. Flores  
Clerk-Treasurer  
City of Gas City

City Council:

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