

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

EXAMINATION REPORT
OF
TOWN OF GASTON
DELAWARE COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
10/25/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-12
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-21
Schedule of Capital Assets.....	22
Schedule of Long-Term Debt	23
Examination Results and Comments:	
Deposits.....	24
Ordinances and Resolutions - Community Center	24
Ordinances and Resolutions - Payroll	24-25
Payroll Withholdings	25
Approval of Claims	25-26
Capital Asset Records	26
Hydrant Rental Receivable (Payable)	26
Sales Tax.....	26-27
Purchasing Policies	27
Inventory Items	27
Budgeted Line Items.....	27
Advance Payments.....	28
Personal Expenses.....	28
Federal and State Agencies - Compliance Requirements	29
Exit Conference.....	30

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennifer Shell Mary Jo Barker Krista Harris	01-01-08 to 09-09-09 09-10-09 to 06-24-10 06-25-10 to 12-31-11
President of the Town Council	Audra Koontz	01-01-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements of the Town of Gaston (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements 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 noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial information and, accordingly, we express no opinion on them.

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

STATE BOARD OF ACCOUNTS

August 18, 2011

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FINANCIAL STATEMENTS

TOWN OF GASTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 28,889	\$ 290,364	\$ 277,382	\$ 41,871
Motor Vehicle Highway	25,214	31,013	34,753	21,474
Local Road And Street	20,035	15,717	6,508	29,244
Economic Develop Income Tax	37,221	45,620	35,000	47,841
Local Law Enf Cont Ed	1,930	744	434	2,240
Riverboat	19,915	6,321	3,800	22,436
Park Donation	17	-	-	17
Community Center Fund	2,686	1,140	76	3,750
Rainy Day	4,647	614	-	5,261
Levy Excess	4,316	-	4,316	-
Cum Cap Imp - Cig Tax	8,979	3,526	4,005	8,500
Payroll	2,302	205,708	200,126	7,884
Sewage Utility Operating	31,601	204,640	211,829	24,412
Sewage Utl Depreciation	3,893	1,100	-	4,993
Sewage Backhoe	10,928	-	10,928	-
Repayment Of Water Loan	-	5,000	1,000	4,000
Sewage Loan To Star Bank	3,267	33,666	35,933	1,000
Sewage Truck Loan	-	3,386	3,386	-
Loan From Water To Sewage	-	2,000	-	2,000
Nsf	900	859	622	1,137
Water Utility-Operating	85,157	166,204	176,792	74,569
Water Utility-Bond And Interest	5,806	-	-	5,806
Water Utl Depreciation	4,944	1,100	-	6,044
Water Utl Meter Deposit	18,151	3,310	1,300	20,161
Water Backhoe	10,929	-	10,929	-
Water Truck Loan	-	3,386	3,386	-
Totals	<u>\$ 331,727</u>	<u>\$ 1,025,418</u>	<u>\$ 1,022,505</u>	<u>\$ 334,640</u>

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

TOWN OF GASTON
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	\$ 41,871	\$ 281,117	\$ 261,872	\$ 61,116
Motor Vehicle Highway	21,474	32,552	37,994	16,032
Local Road And Street	29,244	24,568	6,050	47,762
Economic Develop Income Tax	47,841	10,766	25,719	32,888
Local Law Enf Cont Ed	2,240	506	100	2,646
Riverboat	22,436	6,320	5,880	22,876
Park Donation	17	-	-	17
Community Center Fund	3,750	922	526	4,146
Rainy Day	5,261	2,057	-	7,318
Levy Excess	-	520	-	520
Cum Cap Imp - Cig Tax	8,500	3,039	1,853	9,686
Payroll	7,884	234,896	236,865	5,915
Sewage Loan To Star Bank	1,000	20,233	12,130	9,103
Sewage Utility Operating	24,412	192,179	179,378	37,213
Sewage Utl Depreciation	4,993	1,200	-	6,193
Repayment Of Water Loan	4,000	-	-	4,000
Sewage Truck Loan	-	2,831	2,530	301
Loan From Water To Sewage	2,000	12,000	-	14,000
Nsf	1,137	815	381	1,571
Water Utility-Operating	74,569	152,142	173,058	53,653
Water Utility-Bond And Interest	5,806	-	-	5,806
Water Utl Depreciation	6,044	1,200	-	7,244
Water Utl Meter Deposit	20,161	2,935	2,529	20,567
Water Truck Loan	-	2,831	2,530	301
Totals	<u>\$ 334,640</u>	<u>\$ 985,629</u>	<u>\$ 949,395</u>	<u>\$ 370,874</u>

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

TOWN OF GASTON
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council 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 statements present the financial information for the Town (primary government), and does not include financial information for any of the Town'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 Town (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 Town.

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

TOWN OF GASTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

TOWN OF GASTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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 Town 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 Town. 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 Town. 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 Town 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 Town 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 Town 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

TOWN OF GASTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 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 5. Risk Management

The Town 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 Town 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 Town by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan

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 Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 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.

TOWN OF GASTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

TOWN OF GASTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Local Road And Street	Economic Develop Income Tax	Local Law Enf Cont Ed	Riverboat	Park Donation
Cash and investments - beginning	\$ 28,889	\$ 25,214	\$ 20,035	\$ 37,221	\$ 1,930	\$ 19,915	\$ 17
Receipts:							
Taxes	180,266	-	-	10,620	-	-	-
Licenses and permits	11,365	-	-	-	330	-	-
Intergovernmental	40,930	27,383	15,717	-	-	6,321	-
Charges for services	5,301	-	-	-	414	-	-
Fines and forfeits	560	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	51,942	3,630	-	35,000	-	-	-
Total receipts	<u>290,364</u>	<u>31,013</u>	<u>15,717</u>	<u>45,620</u>	<u>744</u>	<u>6,321</u>	<u>-</u>
Disbursements:							
Personal services	116,501	31,755	-	-	-	-	-
Supplies	13,997	-	198	-	-	-	-
Other services and charges	74,848	2,998	1,031	-	434	3,800	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	37,036	-	5,279	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	35,000	-	-	35,000	-	-	-
Total disbursements	<u>277,382</u>	<u>34,753</u>	<u>6,508</u>	<u>35,000</u>	<u>434</u>	<u>3,800</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>12,982</u>	<u>(3,740)</u>	<u>9,209</u>	<u>10,620</u>	<u>310</u>	<u>2,521</u>	<u>-</u>
Cash and investments - ending	<u>\$ 41,871</u>	<u>\$ 21,474</u>	<u>\$ 29,244</u>	<u>\$ 47,841</u>	<u>\$ 2,240</u>	<u>\$ 22,436</u>	<u>\$ 17</u>

TOWN OF GASTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Community Center Fund	Rainy Day	Levy Excess	Cum Cap Imp - Cig Tax	Payroll	Sewage Utility Operating	Sewage Util Depreciation
Cash and investments - beginning	\$ 2,686	\$ 4,647	\$ 4,316	\$ 8,979	\$ 2,302	\$ 31,601	\$ 3,893
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	3,526	-	-	-
Charges for services	1,140	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	146,062	-
Penalties	-	-	-	-	-	4,529	-
Other receipts	-	614	-	-	205,708	54,049	1,100
Total receipts	<u>1,140</u>	<u>614</u>	<u>-</u>	<u>3,526</u>	<u>205,708</u>	<u>204,640</u>	<u>1,100</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	76	-	-	4,005	-	-	-
Debt service - principal and interest	-	-	-	-	-	23,211	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	102,024	-
Other disbursements	-	-	4,316	-	200,126	86,594	-
Total disbursements	<u>76</u>	<u>-</u>	<u>4,316</u>	<u>4,005</u>	<u>200,126</u>	<u>211,829</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,064</u>	<u>614</u>	<u>(4,316)</u>	<u>(479)</u>	<u>5,582</u>	<u>(7,189)</u>	<u>1,100</u>
Cash and investments - ending	<u>\$ 3,750</u>	<u>\$ 5,261</u>	<u>\$ -</u>	<u>\$ 8,500</u>	<u>\$ 7,884</u>	<u>\$ 24,412</u>	<u>\$ 4,993</u>

TOWN OF GASTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Sewage Backhoe	Repayment Of Water Loan	Sewage Loan To Star Bank	Sewage Truck Loan	Loan From Water To Sewage	Nsf	Water Utility-Operating
Cash and investments - beginning	\$ 10,928	\$ -	\$ 3,267	\$ -	\$ -	\$ 900	\$ 85,157
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	20,190
Penalties	-	-	-	-	2,000	859	145,036
Other receipts	-	5,000	33,666	3,386	-	-	978
Total receipts	-	5,000	33,666	3,386	2,000	859	166,204
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	1,000	-	-	-	-	-
Utility operating expenses	10,928	-	35,933	3,386	-	-	85,399
Other disbursements	-	-	-	-	-	622	91,393
Total disbursements	10,928	1,000	35,933	3,386	-	622	176,792
Excess (deficiency) of receipts over disbursements	(10,928)	4,000	(2,267)	-	2,000	237	(10,588)
Cash and investments - ending	\$ -	\$ 4,000	\$ 1,000	\$ -	\$ 2,000	\$ 1,137	\$ 74,569

TOWN OF GASTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Water Utility-Bond And Interest	Water UtI Depreciation	Water UtI Meter Deposit	Water Backhoe	Water Truck Loan	Totals
Cash and investments - beginning	\$ 5,806	\$ 4,944	\$ 18,151	\$ 10,929	\$ -	\$ 331,727
Receipts:						
Taxes	-	-	-	-	-	190,886
Licenses and permits	-	-	-	-	-	11,695
Intergovernmental	-	-	-	-	-	93,877
Charges for services	-	-	-	-	-	6,855
Fines and forfeits	-	-	-	-	-	560
Utility fees	-	-	-	-	-	166,252
Penalties	-	-	-	-	-	152,424
Other receipts	-	1,100	3,310	-	3,386	402,869
Total receipts	-	1,100	3,310	-	3,386	1,025,418
Disbursements:						
Personal services	-	-	-	-	-	148,256
Supplies	-	-	-	-	-	14,195
Other services and charges	-	-	-	-	-	87,192
Debt service - principal and interest	-	-	-	-	-	23,211
Capital outlay	-	-	-	-	-	43,315
Utility operating expenses	-	-	1,300	10,929	3,386	253,285
Other disbursements	-	-	-	-	-	453,051
Total disbursements	-	-	1,300	10,929	3,386	1,022,505
Excess (deficiency) of receipts over disbursements	-	1,100	2,010	(10,929)	-	2,913
Cash and investments - ending	\$ 5,806	\$ 6,044	\$ 20,161	\$ -	\$ -	\$ 334,640

TOWN OF GASTON
 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	Economic Develop Income Tax	Local Law Enf Cont Ed	Riverboat	Park Donation
Cash and investments - beginning	\$ 41,871	\$ 21,474	\$ 29,244	\$ 47,841	\$ 2,240	\$ 22,436	\$ 17
Receipts:							
Taxes	227,499	-	-	10,766	-	-	-
Licenses and permits	140	-	-	-	120	-	-
Intergovernmental	44,393	32,552	23,943	-	-	6,320	-
Charges for services	3,932	-	-	-	386	-	-
Fines and forfeits	478	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	4,675	-	625	-	-	-	-
Total receipts	<u>281,117</u>	<u>32,552</u>	<u>24,568</u>	<u>10,766</u>	<u>506</u>	<u>6,320</u>	<u>-</u>
Disbursements:							
Personal services	129,977	31,570	-	-	-	-	-
Supplies	26,828	1,629	750	-	-	-	-
Other services and charges	95,045	4,795	765	-	100	4,480	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	8,850	-	4,535	25,719	-	1,400	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	1,172	-	-	-	-	-	-
Total disbursements	<u>261,872</u>	<u>37,994</u>	<u>6,050</u>	<u>25,719</u>	<u>100</u>	<u>5,880</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>19,245</u>	<u>(5,442)</u>	<u>18,518</u>	<u>(14,953)</u>	<u>406</u>	<u>440</u>	<u>-</u>
Cash and investments - ending	<u>\$ 61,116</u>	<u>\$ 16,032</u>	<u>\$ 47,762</u>	<u>\$ 32,888</u>	<u>\$ 2,646</u>	<u>\$ 22,876</u>	<u>\$ 17</u>

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

	Community Center Fund	Rainy Day	Levy Excess	Cum Cap Imp - Cig Tax	Payroll	Sewage Loan To Star Bank
Cash and investments - beginning	\$ 3,750	\$ 5,261	\$ -	\$ 8,500	\$ 7,884	\$ 1,000
Receipts:						
Taxes	-	-	520	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	2,057	-	3,039	-	-
Charges for services	922	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	234,896	20,233
Total receipts	<u>922</u>	<u>2,057</u>	<u>520</u>	<u>3,039</u>	<u>234,896</u>	<u>20,233</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	526	-	-	1,853	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	236,865	12,130
Total disbursements	<u>526</u>	<u>-</u>	<u>-</u>	<u>1,853</u>	<u>236,865</u>	<u>12,130</u>
Excess (deficiency) of receipts over disbursements	<u>396</u>	<u>2,057</u>	<u>520</u>	<u>1,186</u>	<u>(1,969)</u>	<u>8,103</u>
Cash and investments - ending	<u>\$ 4,146</u>	<u>\$ 7,318</u>	<u>\$ 520</u>	<u>\$ 9,686</u>	<u>\$ 5,915</u>	<u>\$ 9,103</u>

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

	Sewage Utility Operating	Sewage Util Depreciation	Repayment Of Water Loan	Sewage Truck Loan	Loan From Water To Sewage	Nsf
Cash and investments - beginning	\$ 24,412	\$ 4,993	\$ 4,000	\$ -	\$ 2,000	\$ 1,137
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	138,162	-	-	-	-	-
Penalties	4,018	-	-	-	12,000	-
Other receipts	49,999	1,200	-	2,831	-	815
Total receipts	<u>192,179</u>	<u>1,200</u>	<u>-</u>	<u>2,831</u>	<u>12,000</u>	<u>815</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	36,040	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	117,125	-	-	-	-	-
Other disbursements	26,213	-	-	2,530	-	381
Total disbursements	<u>179,378</u>	<u>-</u>	<u>-</u>	<u>2,530</u>	<u>-</u>	<u>381</u>
Excess (deficiency) of receipts over disbursements	<u>12,801</u>	<u>1,200</u>	<u>-</u>	<u>301</u>	<u>12,000</u>	<u>434</u>
Cash and investments - ending	<u>\$ 37,213</u>	<u>\$ 6,193</u>	<u>\$ 4,000</u>	<u>\$ 301</u>	<u>\$ 14,000</u>	<u>\$ 1,571</u>

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

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utl Depreciation	Water Utl Meter Deposit	Water Truck Loan	Totals
Cash and investments - beginning	\$ 74,569	\$ 5,806	\$ 6,044	\$ 20,161	\$ -	\$ 334,640
Receipts:						
Taxes	-	-	-	-	-	238,785
Licenses and permits	-	-	-	-	-	260
Intergovernmental	-	-	-	-	-	112,304
Charges for services	-	-	-	-	-	5,240
Fines and forfeits	-	-	-	-	-	478
Utility fees	140,204	-	-	-	-	278,366
Penalties	689	-	-	-	-	16,707
Other receipts	11,249	-	1,200	2,935	2,831	333,489
Total receipts	<u>152,142</u>	<u>-</u>	<u>1,200</u>	<u>2,935</u>	<u>2,831</u>	<u>985,629</u>
Disbursements:						
Personal services	-	-	-	-	-	161,547
Supplies	-	-	-	-	-	29,207
Other services and charges	-	-	-	-	-	107,564
Debt service - principal and interest	4,254	-	-	-	-	40,294
Capital outlay	-	-	-	-	-	40,504
Utility operating expenses	94,409	-	-	2,529	-	214,063
Other disbursements	74,395	-	-	-	2,530	356,216
Total disbursements	<u>173,058</u>	<u>-</u>	<u>-</u>	<u>2,529</u>	<u>2,530</u>	<u>949,395</u>
Excess (deficiency) of receipts over disbursements	<u>(20,916)</u>	<u>-</u>	<u>1,200</u>	<u>406</u>	<u>301</u>	<u>36,234</u>
Cash and investments - ending	<u>\$ 53,653</u>	<u>\$ 5,806</u>	<u>\$ 7,244</u>	<u>\$ 20,567</u>	<u>\$ 301</u>	<u>\$ 370,874</u>

TOWN OF GASTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received. Capital assets are not separated between governmental activities and business-type activities.

<u>Town of Gaston and Utilities</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 5,501
Infrastructure	666,378
Buildings	410,000
Machinery and equipment	<u>851,750</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,933,629</u>

TOWN OF GASTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loans payable	\$ <u>26,053</u>	\$ <u>12,995</u>
Business-type activities:		
Wastewater Utility:		
Loans payable	\$ <u>147,214</u>	\$ <u>20,681</u>

TOWN OF GASTON
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

ORDINANCES AND RESOLUTIONS - COMMUNITY CENTER

The Town has an ordinance concerning the creation of the Community Center Maintenance Fund. The ordinance did not address what, if any, charges are to be assessed and collected for the fund.

We feel the powers granted by various statutes authorize the common council of a city or the town council of a town to create, by ordinance, as many funds as they feel necessary to operate their particular city or town. The enabling ordinance should provide various types of information:

- (1) The ordinance should clearly indicate the type or types of revenue that is to go into the new fund.
- (2) The ordinance should list the purpose or purposes for which expenditures can be made from the new fund.
- (3) The ordinance should establish the life of the new fund and indicate if the fund balance is nonreverting at year end or perpetual until terminated either by the terms of the current ordinance or if another subsequent ordinance must be enacted.
- (4) The ordinance should provide guidance as to disposition of the fund balance on termination of the fund.
- (5) The ordinance should include any other terms or conditions the city or town attorney deems necessary.

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

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)

ORDINANCES AND RESOLUTIONS - PAYROLL

The Town has a payroll ordinance. Several employees were not paid according to the ordinance for both 2009 and 2010. The following overpayments and underpayments were rectified in August, 2011.

Jennifer Shell, former Clerk-Treasurer, was overpaid \$5.10 in 2009.

TOWN OF GASTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Mary Jo Barker, former Clerk- Treasurer, was overpaid \$5.05 in 2009 and underpaid \$231.84 in 2010 for a net underpayment of \$226.79.

Krista Harris, Clerk-Treasurer and former Deputy Clerk, was overpaid \$149.91 in 2009 and underpaid \$86.45 in 2010 for a net overpayment of \$63.46.

James McCormick, Street Superintendent, was overpaid \$141.76 in 2009.

Kevin McCormick, Water/Wastewater Employee, was underpaid \$204.47 in 2010.

James Oliver, Town Marshall, was underpaid \$477.88 in 2010.

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)

PAYROLL WITHHOLDINGS

Several errors were noted during a review of the payroll withholdings. In 2009, the Indiana Department of Revenue was underpaid by \$99.33. In 2010, an underpayment of \$735.93 was made to the Internal Revenue Service for the third quarter payroll taxes. Also, in 2010, the Indiana Department of Revenue was overpaid by \$555.20.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

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

APPROVAL OF CLAIMS

In 2009 and 2010, many claims either did not indicate that the Board had approved the payment or indicated that the approval was made after the payment had been made. In addition, many claims had not been certified by the Clerk-Treasurer.

Indiana Code 5-11-10-1.6(c) states in part:

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

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

TOWN OF GASTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

CAPITAL ASSET RECORDS

A review of the prior examinations indicated a large unexplained difference (reduction) in capital assets from the examination period ending December 31, 2006 to the examination period ending December 31, 2008. The current review indicated that the prior unexplained differences had not been identified and reconciled with the current records and the current period had an additional small unexplained variance. The following schedule details the unexplained differences:

Land	\$ 105,260
Buildings	198,178
Equipment	488,598
Improvements	<u>1,007,971</u>
Total	<u>\$ 1,800,007</u>

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)

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town miscalculated the amount of hydrant rental for the first payment of 2009. The miscalculation resulted in an underpayment of hydrant rental from the Town to the Water Utility of \$413.40.

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)

SALES TAX

The Utility did not remit the proper amount of sales tax. When calculating the sales tax collected and due for the period December 2009, the exempt sales were added to total sales rather than deducted. This resulted in an overpayment of \$1,395.04.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GASTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PURCHASING POLICIES

The Town has not established purchasing policies for the purchase of items with a dollar amount below \$50,000. On March 12, 2009, the Town Board gave approval for the Marshall to purchase items up to \$1,000 prior to Board approval, but no reference was made to other employees.

Indiana Code 5-22-8-2 states:

"(a) This section applies only if the purchasing agent expects the purchase to be less than fifty thousand dollars (\$50,000).

(b) A purchasing agent may make a purchase under small purchase policies established by the purchasing agency or under rules adopted by the governmental body."

INVENTORY ITEMS

Controls over inventory items on hand were lacking. No records were maintained for items with a value of less than the capitalization policy of \$5,000. Town supervisors should be aware of the location of assets purchased from their funds. Also, disposal of items as a result of them becoming obsolete could be conveyed to the Town Board for better accountability.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

BUDGETED LINE ITEMS

Disbursements for a retiree prescription, a bond, retiree insurance, and a flag were posted to the General Fund appropriation line item "CT Repairs and Maintenance"; ditch assessments were posted to General Fund appropriation line item "CT Professional Services"; drug testing and CDL license renewal were posted to the Motor Vehicle Highway Fund appropriation line item "Health Insurance"; and postage and insurance was posted to Motor Vehicle Highway Fund appropriation line item "Repairs and Maintenance".

Disbursements should be paid from properly authorized line items. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GASTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

ADVANCE PAYMENTS

In February 2009, September 2009, June 2010, and September 2010, the Town Attorney submitted invoices for payment. The invoices simply stated, "Attorney retainer per Attorney Fee Agreement due . . ." A fully itemized invoice detailing services rendered was not provided. These invoices represented the first and second half of the year, respectively. They were paid in the month they were turned in by the Town Attorney. Only the June 2010 invoice was paid at a point after services were completely rendered.

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

- "(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.
- (c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:
- (1) there is a fully itemized invoice or bill for the claim;
 - (2) the invoice or bill is approved by the officer or person receiving the goods and services;
 - (3) the invoice or bill is filed with the governmental entity's fiscal officer;
 - (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
 - (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONAL EXPENSES

Personal text messages were made by the Marshall which resulted in usage charges in the amount of \$41.96. Invoices for the periods April 5, 2009 to May 4, 2009; October 5, 2009 to November 4, 2009; and January 25, 2010 to February 24, 2010; were not presented for examination. The Marshall was asked to repay, and did repay, \$41.96 in August 2011.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GASTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES – COMPLIANCE REQUIREMENTS

The Town of Gaston did not comply with the directives of the Indiana Department of Revenue by failing to file annual form URT-1 for 2009 and 2010 by the deadline of April 15 of the subsequent year. As a result the Town did not receive the refund due from 2009 of \$964, nor did it pay the amount due of \$348 for 2010.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GASTON
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2011, with Krista Harris, Clerk-Treasurer, and Vickie Oliver, member of the Town Council.