

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF GAS CITY

GRANT COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
10/18/2012

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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 12-31-15
Mayor	H. Larry Leach	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	H. Larry Leach	01-01-08 to 12-31-15
President of the Common Council	Larry J. Terwillegar	01-01-11 to 12-31-12
Superintendent of Utilities	Raymond P. Smith	01-01-11 to 12-31-12
Utilities Office Manager	Lisa K. Oliver	01-01-11 to 12-31-12



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the City of Gas City (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 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.

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, 2011, on the basis of accounting described in Note 1.

Our examination 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, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

The City's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine 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 others within the entity 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

September 18, 2012

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF GAS CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 531,924	\$ 1,844,684	\$ 1,873,754	\$ 502,854
Motor Vehicle Highway	71,201	281,134	283,593	68,742
Riverboat	169,533	47,173	-	216,706
Levy Excess	52,684	-	-	52,684
2005 Redevelopment District (Wal-Mart)	3,096,506	788,157	385,545	3,499,118
City Court	317,072	996,717	1,028,499	285,290
Old Fashioned 4th	8,341	11,770	11,501	8,610
Wal-Mart Grant Police Department	71	-	-	71
Park	37,769	165,506	145,858	57,417
Park Nonreverting Operating	26,916	14,513	6,597	34,832
Rainy Day	75,099	64,423	-	139,522
3-Way Recreation	-	29,390	29,390	-
Police Pension	4,638	114,353	114,594	4,397
Cumulative Capital Improvement	39,165	26,105	5,591	59,679
Cumulative Capital Development	139,229	69,975	39,365	169,839
Local Road and Street	50,402	49,339	14,539	85,202
Law Enforcement Continuing Education	15,791	10,589	6,820	19,560
User Fee	75,508	23,208	6,634	92,082
User Fee-Home Monitoring	3,509	36,802	39,830	481
Clerk's Record Perpetuation	1,235	8,911	759	9,387
Pretrial Diversion/Deferral	-	51,686	39,601	12,085
Court Costs Due County	23,254	66,398	72,573	17,079
Build Indiana Grant (Downtown)	111,138	-	-	111,138
FEMA Grant Fire Department	(2,680)	-	-	(2,680)
Storm Water Debt Service	112,201	57,944	118,405	51,740
Allocation (I-69 TIF Area)	1,125,698	1,129,390	1,293,503	961,585
TIF Debt Service Reserve	283,000	-	-	283,000
2003 Redevelopment District Capital (Woodmark)	184,950	-	-	184,950
2010 Redevelopment Bond Reserve	240,000	-	-	240,000
Zoo	1,029	-	-	1,029
Gas City Youth Activity	1,372	-	-	1,372
Thompson/Ray House Grant	15,410	153,888	168,788	510
Payroll	2,004	2,081,815	2,071,345	12,474
Sign Replacement Grant	-	54,000	54,000	-
Grant County Operation Pullover	469	8,200	8,440	229
Electric Operating	42,818	5,941,406	5,775,785	208,439
Electric Depreciation	12,082	15,000	34,507	(7,425)
Electric Bond and Interest	1,149	152,555	166,216	(12,512)
Electric Debt Service Reserve	167,760	-	-	167,760
Electric Meter Deposits	134,669	28,575	25,219	138,025
Electric Reserve	183,704	112,500	150,000	146,204
Electric Meter Deposits Checking	250	-	-	250
Electric Petty Cash	400	-	-	400
Electric Gas Pump	6,224	14,620	20,844	-
Electric Tree	10,207	18,700	-	28,907
Wastewater Operating	555,110	1,451,198	1,526,547	479,761
Wastewater Depreciation	609,188	-	26,098	583,090
Wastewater Bond and Interest (BONY)	299,335	461,083	686,135	74,283
Wastewater Debt Service Reserve (BONY)	321,954	93,113	-	415,067
Wastewater Gas Pump	1,789	4,216	6,005	-
Storm Sewer Project 2014	-	50,000	-	50,000
Water Operating	225,697	1,296,629	1,262,943	259,383
Water Depreciation	39,354	60,000	63,910	35,444
Water Bond and Interest	259,791	358,730	350,396	268,125
Water Debt Service Reserve	163,915	51,759	-	215,674
Water Meter Deposits	63,610	9,125	6,977	65,758
Water Meter Deposits Checking	250	-	-	250
Water Petty Cash	300	-	-	300
Water Construction	-	200,229	200,229	-
Water Construction Retainage	217,649	2,566	220,215	-
OCRA Grant - Water	-	127,082	127,082	-
Totals	<u>\$ 10,131,643</u>	<u>\$ 18,635,156</u>	<u>\$ 18,468,632</u>	<u>\$ 10,298,167</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, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts may include 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.

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

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Penalties which include fees received for late payments.

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 statement. The aggregate disbursements may include 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.

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

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

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 Indiana Public Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF GAS CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

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 Indiana Public Retirement System 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 Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

CITY OF GAS CITY
 NOTES TO FINANCIAL STATEMENT
 (Continued)

Funding Policy

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

Note 7. Change In Beginning Cash Balance

The 2010 Redevelopment Bond Reserve Fund was not reported in the 2010 Financial Statement. The Financial Statements were reported as follows:

Fund	Cash Balance 12-31-10	Cash Balance 01-01-11
2010 Redevelopment Bond Reserve	\$ -	\$ 240,000

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF GAS CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Riverboat	Levy Excess	2005 Redevelopment District (Wal-Mart)	City Court	Old Fashioned 4th
Cash and investments - beginning	\$ 531,924	\$ 71,201	\$ 169,533	\$ 52,684	\$ 3,096,506	\$ 317,072	\$ 8,341
Receipts:							
Taxes	733,344	97,873	-	-	767,091	-	-
Licenses and permits	935	-	-	-	-	-	-
Intergovernmental	365,706	182,908	47,173	-	21,066	-	-
Charges for services	504,759	-	-	-	-	-	-
Fines and forfeits	192,831	-	-	-	-	996,717	-
Other receipts	47,109	353	-	-	-	-	11,770
Total receipts	<u>1,844,684</u>	<u>281,134</u>	<u>47,173</u>	<u>-</u>	<u>788,157</u>	<u>996,717</u>	<u>11,770</u>
Disbursements:							
Personal services	1,198,814	228,958	-	-	-	-	-
Supplies	108,748	19,729	-	-	-	-	-
Other services and charges	475,260	34,906	-	-	-	-	11,501
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	4,766	-	-	-	-	-	-
Other disbursements	86,166	-	-	-	385,545	1,028,499	-
Total disbursements	<u>1,873,754</u>	<u>283,593</u>	<u>-</u>	<u>-</u>	<u>385,545</u>	<u>1,028,499</u>	<u>11,501</u>
Excess (deficiency) of receipts over disbursements	<u>(29,070)</u>	<u>(2,459)</u>	<u>47,173</u>	<u>-</u>	<u>402,612</u>	<u>(31,782)</u>	<u>269</u>
Cash and investments - ending	<u>\$ 502,854</u>	<u>\$ 68,742</u>	<u>\$ 216,706</u>	<u>\$ 52,684</u>	<u>\$ 3,499,118</u>	<u>\$ 285,290</u>	<u>\$ 8,610</u>

CITY OF GAS CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wal-Mart Grant Police Department	Park	Park Nonreverting Operating	Rainy Day	3-Way Recreation	Police Pension	Cumulative Capital Improvement
Cash and investments - beginning	\$ 71	\$ 37,769	\$ 26,916	\$ 75,099	\$ -	\$ 4,638	\$ 39,165
Receipts:							
Taxes	-	103,184	-	-	26,555	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	11,016	-	64,423	2,835	114,353	26,105
Charges for services	-	36,844	14,513	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	-	14,462	-	-	-	-	-
Total receipts	-	165,506	14,513	64,423	29,390	114,353	26,105
Disbursements:							
Personal services	-	56,654	-	-	-	-	-
Supplies	-	34,304	-	-	-	-	-
Other services and charges	-	54,900	-	-	-	114,594	3,318
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	2,273
Other disbursements	-	-	6,597	-	29,390	-	-
Total disbursements	-	145,858	6,597	-	29,390	114,594	5,591
Excess (deficiency) of receipts over disbursements	-	19,648	7,916	64,423	-	(241)	20,514
Cash and investments - ending	\$ 71	\$ 57,417	\$ 34,832	\$ 139,522	\$ -	\$ 4,397	\$ 59,679

CITY OF GAS CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cumulative Capital Development	Local Road and Street	Law Enforcement Continuing Education	User Fee	User Fee - Home Monitoring	Clerk's Record Perpetuation	Pretrial Diversion/ Deferral
Cash and investments - beginning	\$ 139,229	\$ 50,402	\$ 15,791	\$ 75,508	\$ 3,509	\$ 1,235	\$ -
Receipts:							
Taxes	63,225	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	6,750	49,339	-	-	-	-	-
Charges for services	-	-	-	-	-	8,911	-
Fines and forfeits	-	-	10,098	23,208	36,802	-	51,686
Other receipts	-	-	491	-	-	-	-
Total receipts	<u>69,975</u>	<u>49,339</u>	<u>10,589</u>	<u>23,208</u>	<u>36,802</u>	<u>8,911</u>	<u>51,686</u>
Disbursements:							
Personal services	-	-	-	-	2,830	-	-
Supplies	-	-	6,220	-	-	-	-
Other services and charges	21,126	14,539	-	-	37,000	-	-
Debt service - principal and interest	16,737	-	-	-	-	-	-
Capital outlay	1,502	-	-	-	-	-	-
Other disbursements	-	-	600	6,634	-	759	39,601
Total disbursements	<u>39,365</u>	<u>14,539</u>	<u>6,820</u>	<u>6,634</u>	<u>39,830</u>	<u>759</u>	<u>39,601</u>
Excess (deficiency) of receipts over disbursements	<u>30,610</u>	<u>34,800</u>	<u>3,769</u>	<u>16,574</u>	<u>(3,028)</u>	<u>8,152</u>	<u>12,085</u>
Cash and investments - ending	<u>\$ 169,839</u>	<u>\$ 85,202</u>	<u>\$ 19,560</u>	<u>\$ 92,082</u>	<u>\$ 481</u>	<u>\$ 9,387</u>	<u>\$ 12,085</u>

CITY OF GAS CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Court Costs Due County	Build Indiana Grant (Downtown)	FEMA Grant Fire Department	Storm Water Debt Service	Allocation (I-69 TIF Area)	TIF Debt Service Reserve	2003 Redevelopment District Capital (Woodmark)
Cash and investments - beginning	\$ 23,254	\$ 111,138	\$ (2,680)	\$ 112,201	\$ 1,125,698	\$ 283,000	\$ 184,950
Receipts:							
Taxes	-	-	-	29,334	1,111,697	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	28,605	7,598	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	66,398	-	-	-	-	-	-
Other receipts	-	-	-	5	10,095	-	-
Total receipts	<u>66,398</u>	<u>-</u>	<u>-</u>	<u>57,944</u>	<u>1,129,390</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	117,205	558,735	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	72,573	-	-	1,200	734,768	-	-
Total disbursements	<u>72,573</u>	<u>-</u>	<u>-</u>	<u>118,405</u>	<u>1,293,503</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(6,175)</u>	<u>-</u>	<u>-</u>	<u>(60,461)</u>	<u>(164,113)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 17,079</u>	<u>\$ 111,138</u>	<u>\$ (2,680)</u>	<u>\$ 51,740</u>	<u>\$ 961,585</u>	<u>\$ 283,000</u>	<u>\$ 184,950</u>

CITY OF GAS CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	2010 Redevelopment Bond Reserve	Zoo	Gas City Youth Activity	Thompson/Ray House Grant	Payroll	Sign Replacement Grant	Grant County Operation Pullover
Cash and investments - beginning	\$ 240,000	\$ 1,029	\$ 1,372	\$ 15,410	\$ 2,004	\$ -	\$ 469
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	153,888	-	54,000	8,200
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	-	-	-	-	2,081,815	-	-
Total receipts	-	-	-	153,888	2,081,815	54,000	8,200
Disbursements:							
Personal services	-	-	-	-	-	-	8,440
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	54,000	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	168,788	-	-	-
Other disbursements	-	-	-	-	2,071,345	-	-
Total disbursements	-	-	-	168,788	2,071,345	54,000	8,440
Excess (deficiency) of receipts over disbursements	-	-	-	(14,900)	10,470	-	(240)
Cash and investments - ending	<u>\$ 240,000</u>	<u>\$ 1,029</u>	<u>\$ 1,372</u>	<u>\$ 510</u>	<u>\$ 12,474</u>	<u>\$ -</u>	<u>\$ 229</u>

CITY OF GAS CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Electric Operating	Electric Depreciation	Electric Bond and Interest	Electric Debt Service Reserve	Electric Meter Deposits	Electric Reserve	Electric Meter Deposits Checking
Cash and investments - beginning	\$ 42,818	\$ 12,082	\$ 1,149	\$ 167,760	\$ 134,669	\$ 183,704	\$ 250
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	5,907,640	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	33,766	15,000	152,555	-	28,575	112,500	-
Total receipts	<u>5,941,406</u>	<u>15,000</u>	<u>152,555</u>	<u>-</u>	<u>28,575</u>	<u>112,500</u>	<u>-</u>
Disbursements:							
Personal services	629,015	-	-	-	-	-	-
Supplies	157,298	-	-	-	-	-	-
Other services and charges	4,219,614	-	-	-	-	-	-
Debt service - principal and interest	1,040	-	164,716	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	768,818	34,507	1,500	-	25,219	150,000	-
Total disbursements	<u>5,775,785</u>	<u>34,507</u>	<u>166,216</u>	<u>-</u>	<u>25,219</u>	<u>150,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>165,621</u>	<u>(19,507)</u>	<u>(13,661)</u>	<u>-</u>	<u>3,356</u>	<u>(37,500)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 208,439</u>	<u>\$ (7,425)</u>	<u>\$ (12,512)</u>	<u>\$ 167,760</u>	<u>\$ 138,025</u>	<u>\$ 146,204</u>	<u>\$ 250</u>

CITY OF GAS CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Electric Petty Cash	Electric Gas Pump	Electric Tree	Wastewater Operating	Wastewater Depreciation	Wastewater Bond and Interest (BONY)	Wastewater Debt Service Reserve (BONY)
Cash and investments - beginning	\$ 400	\$ 6,224	\$ 10,207	\$ 555,110	\$ 609,188	\$ 299,335	\$ 321,954
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	1,425,688	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	-	14,620	18,700	25,510	-	461,083	93,113
Total receipts	-	14,620	18,700	1,451,198	-	461,083	93,113
Disbursements:							
Personal services	-	-	-	583,995	-	-	-
Supplies	-	-	-	138,663	-	-	-
Other services and charges	-	-	-	122,248	-	-	-
Debt service - principal and interest	-	-	-	-	-	686,135	-
Capital outlay	-	-	-	-	-	-	-
Other disbursements	-	20,844	-	681,641	26,098	-	-
Total disbursements	-	20,844	-	1,526,547	26,098	686,135	-
Excess (deficiency) of receipts over disbursements	-	(6,224)	18,700	(75,349)	(26,098)	(225,052)	93,113
Cash and investments - ending	\$ 400	\$ -	\$ 28,907	\$ 479,761	\$ 583,090	\$ 74,283	\$ 415,067

CITY OF GAS CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Gas Pump	Storm Sewer Project 2014	Water Operating	Water Depreciation	Water Bond and Interest	Water Debt Service Reserve	Water Meter Deposits
Cash and investments - beginning	\$ 1,789	\$ -	\$ 225,697	\$ 39,354	\$ 259,791	\$ 163,915	\$ 63,610
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	1,263,791	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other receipts	4,216	50,000	32,838	60,000	358,730	51,759	9,125
Total receipts	4,216	50,000	1,296,629	60,000	358,730	51,759	9,125
Disbursements:							
Personal services	-	-	394,882	-	-	-	-
Supplies	-	-	165,225	-	-	-	-
Other services and charges	-	-	60,908	-	-	-	-
Debt service - principal and interest	-	-	-	-	350,396	-	-
Capital outlay	-	-	4,185	48,674	-	-	-
Other disbursements	6,005	-	637,743	15,236	-	-	6,977
Total disbursements	6,005	-	1,262,943	63,910	350,396	-	6,977
Excess (deficiency) of receipts over disbursements	(1,789)	50,000	33,686	(3,910)	8,334	51,759	2,148
Cash and investments - ending	\$ -	\$ 50,000	\$ 259,383	\$ 35,444	\$ 268,125	\$ 215,674	\$ 65,758

CITY OF GAS CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Meter Deposits Checking	Water Petty Cash	Water Construction	Water Construction Retainage	OCRA Grant - Water	Totals
Cash and investments - beginning	\$ 250	\$ 300	\$ -	\$ 217,649	\$ -	\$ 10,131,643
Receipts:						
Taxes	-	-	-	-	-	2,932,303
Licenses and permits	-	-	-	-	-	935
Intergovernmental	-	-	200,229	-	127,082	1,471,276
Charges for services	-	-	-	-	-	9,162,146
Fines and forfeits	-	-	-	-	-	1,377,740
Other receipts	-	-	-	2,566	-	3,690,756
Total receipts	-	-	200,229	2,566	127,082	18,635,156
Disbursements:						
Personal services	-	-	-	-	-	3,103,588
Supplies	-	-	-	-	-	630,187
Other services and charges	-	-	-	-	-	5,223,914
Debt service - principal and interest	-	-	-	-	-	1,894,964
Capital outlay	-	-	200,229	220,215	127,082	777,714
Other disbursements	-	-	-	-	-	6,838,265
Total disbursements	-	-	200,229	220,215	127,082	18,468,632
Excess (deficiency) of receipts over disbursements	-	-	-	(217,649)	-	166,524
Cash and investments - ending	<u>\$ 250</u>	<u>\$ 300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,298,167</u>

CITY OF GAS CITY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 151,426	\$ -
Electric	332,079	295,446
Wastewater	24,496	88,977
Water	20,141	85,706
Totals	<u>\$ 528,142</u>	<u>\$ 470,129</u>

CITY OF GAS CITY
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Electric: PNC Equipment Finance	Skid Steer/Dozer	\$ 5,443	07-28-06	07-28-14
Wastewater: PNC Equipment Finance	Skid Steer/Dozer	5,443	07-28-06	07-28-14
Water: PNC Equipment Finance	Skid Steer/Dozer	<u>5,443</u>	07-28-06	07-28-14
Total of annual lease payments		<u>\$ 16,329</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Storm/Sanitary Separation	\$ 55,000	\$ 56,458
General obligation bonds	Economic Development	620,000	224,782
General obligation bonds	Economic Development	135,000	95,063
General obligation bonds	Economic Development	2,365,000	360,916
General obligation bonds	Economic Development	<u>2,310,000</u>	<u>242,813</u>
Total governmental activities		<u>5,485,000</u>	<u>980,032</u>
Electric:			
Revenue bonds	Sub-Station	<u>1,645,000</u>	<u>38,052</u>
Wastewater:			
Notes and loans payable	Wastewater Plant	<u>5,749,234</u>	<u>231,125</u>
Water:			
Notes and loans payable	West Water Plant	869,940	99,141
Notes and loans payable	East Water Plant	<u>3,847,301</u>	<u>256,360</u>
Total Water		<u>4,717,241</u>	<u>355,501</u>
Totals		<u>\$ 17,596,475</u>	<u>\$ 1,604,710</u>

CITY OF GAS CITY
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 1,817,920
Infrastructure	518,816
Buildings	1,639,474
Improvements other than buildings	73,735
Machinery, equipment and vehicles	1,874,444
Total governmental activities	5,924,389
Electric:	
Buildings	233,476
Improvements other than buildings	3,743,405
Machinery, equipment and vehicles	1,084,656
Total Electric	5,061,537
Wastewater:	
Land	125,689
Buildings	133,217
Improvements other than buildings	11,115,488
Machinery, equipment and vehicles	533,312
Total Wastewater	11,907,706
Water:	
Land	51,353
Buildings	5,673,883
Improvements other than buildings	3,342,392
Machinery, equipment and vehicles	373,743
Total Water	9,441,371
Total capital assets	\$ 32,335,003

CITY OF GAS CITY
EXAMINATION RESULTS AND COMMENTS

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. At December 31, 2011, an unidentified amount of \$9,843 was needed to increase the fund balances to reconcile to the bank balances. A similar comment appeared in prior Report B39169.

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 were not reconciled to the cash balances on the City funds ledger. A similar comment appeared in prior Report B39169.

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)

COLLECTION OF LOAN RECEIVABLE

In 2009, the City loaned an Indiana corporation \$300,000 to make structural improvements to the former Amcast building. Monthly payments of \$5,000 plus interest were to commence in July 2011. There have been no payments made on this loan as of the date of this report.

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)

INTERNAL CONTROLS - ACCOUNTS RECEIVABLE WRITE-OFFS

Several times during 2011, customer accounts receivable balances of the utilities were adjusted to reflect accounts written-off as uncollectible. The total amount of customer accounts receivable of the utilities written-off as uncollectible in 2011 was \$123,526. There was no information presented for examination that the write-offs were properly approved by the Board of Public Works and Safety.

CITY OF GAS CITY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information 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 Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties were not always 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 B39169.

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 . . .

(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 B39169.

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

CITY OF GAS CITY
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2012, 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 29.



Gas City "The City With A Future"

Mayor H. Larry Leach

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Jeff Paul
Field Examiner
Indiana State Board of Accounts
jpaul@sboafe.in.gov

Mr. Paul,

On September 18, 2012, Gas City Officials, Mayor Larry Leach, Clerk-Treasurer Julie Flores, City Council President Larry Tersillegar and Utilities Superintendent Raymond Smith met with Field Examiner, Jeff Paul of the Indiana State Board of Accounts. This was the exit conference for the audit of Gas City's financial books for 2011.

One article of the findings in the audit was as follows:

"COLLECTION OF LOAN RECEIVABLE".

In 2009, the City loaned an Indiana corporation \$300,000.00 to make structural improvements to the former Amcast building. Monthly payments of \$5,000.00 plus interest were to commence in July, 2011. There have been no payments made on this loan as of the date of this report.

Government units have the 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)

RESPONSE:

Prior to the first payment being collected, the Gas City Redevelopment Committee met and extended the loan, in question, for another three years at zero interest. This extension was approved by a 5-0 vote. Minutes of that meeting are available. City Attorney Joe Certain advised that he did not believe another contract was necessary since the committee took this action. Thus, there is no new contract.

Sincerely,


H. Larry Leach