

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

EXAMINATION REPORT

OF

TOWN OF GOSPORT

OWEN COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
12/04/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Supplementary Information:	
Schedule of Long-Term Debt	6
Examination Results and Comments:	
Approval of Claims	7
Capital Asset Records	7
Capital Asset Records and Depreciation Policy - Utilities	7
Payroll Fund.....	8
Prescribed Forms	8
Savings Incentive Match Plan for Employees - Individual Retirement Account Plan.....	8
Utility Receipts Tax.....	9
Bank Account Reconciliations	9
Annual Report.....	9
List of Employees Not Filed With County Treasurer	9
Certified Report Not Filed	9-10
Official Bond	10
Hydrant Rental.....	10
Distribution of Gross Revenues to the Various Funds	10
Customer Deposit Register	10
Exit Conference.....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jodie Hester	01-01-04 to 05-01-06
	Vacant	05-02-06 to 05-31-06
	Wyatt L. Holsapple	06-01-06 to 12-31-07
	Tracy A. Snodgrass	01-01-08 to 12-31-11
President of the Town Council	Tammy Rogers	01-01-06 to 12-31-06
	Jay Thompson	01-01-07 to 12-31-07
	Ernie Arnold	01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF GOSPORT, OWEN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Gosport (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

October 28, 2008

TOWN OF GOSPORT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 51,859	\$ 111,307	\$ 138,707	\$ 24,459
Motor Vehicle Highway	4,137	27,550	21,592	10,095
Local Road and Street	2,110	3,857	3,234	2,733
Firestation Remodel	5,547	42,491	47,703	335
Fire	-	3,300	2,498	802
Grant	583	2,686	3,269	-
Rainy Day	8,749	-	4,524	4,225
Economic Development Income Tax	41,424	19,849	61,273	-
Cumulative Capital Improvement	209	2,554	-	2,763
Proprietary Funds:				
Water Utility - Operating	159,019	289,417	412,986	35,450
Water Utility - Bond and Interest	48,692	56,828	40,003	65,517
Water Utility - Depreciation	23,152	28,332	13,998	37,486
Water Utility - Customer Deposit	16,184	4,176	3,163	17,197
Water Utility - Debt Service Reserve	4,933	5,834	3	10,764
Wastewater Utility - Operating	41,465	151,551	170,394	22,622
Wastewater Utility - Bond and Interest	57,235	21,453	45,109	33,579
Fiduciary Fund:				
Payroll	3,696	132,952	133,171	3,477
Totals	<u>\$ 468,994</u>	<u>\$ 904,137</u>	<u>\$ 1,101,627</u>	<u>\$ 271,504</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 24,459	\$ 93,853	\$ 81,082	\$ 37,230
Motor Vehicle Highway	10,095	30,098	28,714	11,479
Local Road and Street	2,733	3,615	2,528	3,820
Firestation Remodel	335	-	335	-
Fire	802	3,500	3,357	945
Rainy Day	4,225	837	1,508	3,554
Police Grant	-	2,000	2,000	-
Town Hall Repair	-	7,856	7,856	-
Economic Development Income Tax	-	11,489	6,912	4,577
Cumulative Capital Improvement	2,763	2,511	915	4,359
Proprietary Funds:				
Water Utility - Operating	35,450	271,871	290,596	16,725
Water Utility - Bond and Interest	65,517	66,012	119,490	12,039
Water Utility - Depreciation	37,486	24,660	5,000	57,146
Water Utility - Customer Deposit	17,197	3,818	2,331	18,684
Water Utility - Debt Service Reserve	10,764	73,422	15,059	69,127
Wastewater Utility - Operating	22,622	170,328	184,117	8,833
Wastewater Utility - Bond and Interest	33,579	50,706	45,500	38,785
Fiduciary Fund:				
Payroll	3,477	133,338	133,958	2,857
Totals	<u>\$ 271,504</u>	<u>\$ 949,914</u>	<u>\$ 931,258</u>	<u>\$ 290,160</u>

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

TOWN OF GOSPORT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

TOWN OF GOSPORT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable	<u>\$ 4,272</u>	<u>\$ 3,663</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Improvements	<u>550,000</u>	<u>48,950</u>
Wastewater Utility		
Revenue bonds:		
Wastewater Improvements	<u>601,000</u>	<u>42,456</u>
Total business-type activities debt:	<u>\$ 1,151,000</u>	<u>\$ 91,406</u>

TOWN OF GOSPORT
EXAMINATION RESULTS AND COMMENTS

APPROVAL OF CLAIMS (Town and Utilities)

Claims were not certified by the Clerk-Treasurer as to being true, correct and audited in accordance with Indiana Code 5-11-10-1.6.

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

Indiana Code 5-11-10-1.6(c) states: "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."

CAPITAL ASSET RECORDS (Town)

As previously reported in Reports B21785 and B27895, the Town does not maintain an inventory of capital assets. The Town Council has not established a capitalization policy.

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

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

CAPITAL ASSET RECORDS AND DEPRECIATION POLICY (Utilities)

As previously reported in Reports B21785 and B27895, the Utilities do not maintain detailed records of capital assets for their Utility Plant in Service accounts. Also, the Town Council has not adopted a depreciation policy.

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

Generally Accepted Accounting Principles require Utility Plant in Service records to be properly maintained by the Utility. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GOSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

PAYROLL FUND (Town and Utilities)

As previously reported in Reports B21785 and B27895, the Town has established a Payroll Fund to account for all payroll, payroll withholdings, employer taxes and employee benefits. Transfers to the Payroll Fund from the various departments of the Town are made without the completion of a Payroll Schedule and Voucher or General Form 99 covering the personal services of that office or department. The balance of the Payroll Fund is not reconciled to the amounts due to taxing authorities and other vendors. Subsidiary ledger accounts are not maintained for each type of payroll withholding, employer tax and employee benefit or net payroll.

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

PRESCRIBED FORMS (Town and Utilities)

As previously reported in Reports B21785 and B27895, the following prescribed or approved forms were not always in use, Payroll Schedule and Voucher (General Form 99), Employee's Service Record (General Form 99A), Clerk-Treasurer's Receipt (Town Form 217), Register of Investments, (General Form 350), Ledger of Appropriations, Encumbrances, Disbursements and Balances (City and Town Form 209), General Fixed Assets Account Group (City and Town Form 211), and Guarantee Deposit Register (Utility Form 319).

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

SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES –
INDIVIDUAL RETIREMENT ACCOUNT PLAN (Town and Utilities)

As previously reported in Reports B21785 and B27895, the Town has a Savings Incentive Match Plan for Employees (SIMPLE) Individual Retirement Account (IRA) Plan for employees. The Town provides matching contributions to this plan up to 3% of gross wages. In 2007, the Town and Utilities contributed total matching funds of \$1,810 to this plan.

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

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

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

TOWN OF GOSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX (Water Utility)

As previously reported in Reports B21785 and B27895, the Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the examination period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Town and Utilities)

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

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."

ANNUAL REPORT (Town)

Annual reports for 2006 and 2007 were not presented for examination.

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 . . ."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER (Town)

Some officials or employees of the Town had money due from the Town, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CERTIFIED REPORT NOT FILED (Town)

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2006 and 2007.

TOWN OF GOSPORT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

OFFICIAL BOND (Town)

The official bond for Wyatt L. Holsapple, former Clerk-Treasurer, was not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

HYDRANT RENTAL (Town and Water Utility)

The Town of Gosport owes the Water Utility hydrant rental of \$9,306 per year for the years 2006 and 2007, pursuant to Rate Ordinance 2005-03 passed by the Council on March 7, 2005.

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)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS (Utilities)

As stated in the prior Reports B21785 and B27895, gross revenues were not being distributed to the various Utility funds in accordance with Revenue Bond Ordinance Nos. 7-6-93 and 08-08-00.

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)

CUSTOMER DEPOSIT REGISTER (Water Utility)

As previously reported in Reports B21785 and B27895, the Town does not maintain the "Guarantee Deposit Register" (Utility Form 316) or any other detailed record of customer meter deposits. The balance in the Meter Deposit Fund at December 31, 2007, was \$18,684. On February 22, 2006, \$2,075 was withdrawn from the Water Meter Savings Account and remitted to the United States Treasury for the payment of a payroll tax liability. On October 25, 2005, \$5,874 was withdrawn for the same purpose.

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

TOWN OF GOSPORT
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2008, with Wyatt L. Holsapple, former Clerk-Treasurer. The official concurred with our findings.

The contents of this report were discussed on October 28, 2008, with Tracy A. Snodgrass, Clerk-Treasurer; and Ernie Arnold, President of the Town Council.

Jodie Hester, former Clerk-Treasurer, could not be contacted to arrange an exit conference.