

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CITY OF GAS CITY

GRANT COUNTY, INDIANA

January 1, 2018 to December 31, 2019



**FILED**  
01/05/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Teri Miller Karen Wood	01-01-18 to 12-31-19 01-01-20 to 12-31-20
Mayor	H. Larry Leach William Rock, Jr.	01-01-18 to 12-31-19 01-01-20 to 12-31-20
President of the Board of Public Works and Safety	H. Larry Leach Max Leavitt	01-01-18 to 12-31-19 01-01-20 to 12-31-20
President Pro Tempore of the Common Council	Larry Terwillegar	01-01-18 to 12-31-20
Utility Office Manager	Lisa K. Oliver	01-01-18 to 12-31-20
City Court Judge	Steven J. Barker	01-01-18 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE CITY OF GAS CITY, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the City of Gas City (City), for the period from January 1, 2018 to December 31, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the City. It should be read in conjunction with our Financial Statement Audit Report of the City, which provides our opinions on the City's financial statement. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

December 17, 2020

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CLERK-TREASURER  
CITY OF GAS CITY

CLERK-TREASURER  
CITY OF GAS CITY  
AUDIT RESULTS AND COMMENTS

**RECONCILIATION OF UTILITY GENERAL LEDGERS TO CITY FUNDS LEDGER**

A similar comment also appeared in prior Reports B46152, B50527, and B50529.

*Condition and Context*

Adequate internal controls were not in place during the audit period to ensure compliance with applicable laws and regulations, and the financial accuracy of information presented in the financial statement. Monthly cash balances on the Municipal Utilities' general ledgers were not reconciled to the cash balances on the City's funds ledger.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

**RECEIPT OF LOCAL TAX DISTRIBUTIONS**

*Condition and Context*

Adequate internal controls were not in place during the audit period to ensure compliance with applicable laws and regulations, and the financial accuracy of information presented in the financial statement. The entire June 2019 distribution from the County Auditor, in the amount of \$770,444, was received into the General Fund. The June 2019 distribution should have been receipted to the City's financial records as detailed in the County Auditor's Form 22. Impact of this recording error is noted below:

CLERK-TREASURER  
CITY OF GAS CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Fund Name	Account	Receipt Amount Over (Under)
General Fund	CVET	\$ 1,541.90
General Fund	FIT	1,350.69
General Fund	License Excise	16,824.96
General Fund	Property Tax	223,466.29
Motor Vehicle Highway	CVET	(831.02)
Motor Vehicle Highway	FIT	(727.97)
Motor Vehicle Highway	License Excise	(9,067.96)
Motor Vehicle Highway	Property Tax	(120,439.18)
Cum Cap Development	CVET	(212.74)
Cum Cap Development	FIT	(186.36)
Cum Cap Development	License Excise	(2,321.40)
Cum Cap Development	Property Tax	(30,832.43)
Park Fund	CVET	(440.68)
Park Fund	FIT	(386.03)
Park Fund	License Excise	(4,808.61)
Park Fund	Property Tax	(63,867.17)
3-Way Recreation Fund	CVET	(57.46)
3-Way Recreation Fund	FIT	(50.33)
3-Way Recreation Fund	License Excise	(626.99)
3-Way Recreation Fund	Property Tax	<u>(8,327.51)</u>
 Total		 \$ <u><u>-</u></u>

*Criteria*

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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CLERK-TREASURER  
CITY OF GAS CITY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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CLERK-TREASURER  
CITY OF GAS CITY  
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2020, with Karen Wood, Clerk-Treasurer; William Rock, Jr., Mayor; Larry Terwillegar, President Pro Tempore of the Common Council; Max Leavitt, President of the Board of Public Works and Safety; and Anita Eckstein, Deputy Clerk-Treasurer.

The contents of this report were also discussed on December 22, 2020, with Teri Miller, former Clerk-Treasurer.

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MUNICIPAL UTILITIES  
CITY OF GAS CITY

MUNICIPAL UTILITIES  
CITY OF GAS CITY  
AUDIT RESULT AND COMMENT

**CUSTOMER DEPOSIT REGISTER**

Similar comments also appeared in prior Reports B50527 and B50529, entitled *CONDITION OF RECORDS* and *CUSTOMER DEPOSIT REGISTER*, respectively.

*Condition and Context*

The Municipal Utilities office did not have adequate internal controls in place to ensure that the customer deposit detail ledger agreed with the cash fund balance of the corresponding meter deposit funds for the Electric Utility and Water Utility.

Detailed customer deposit registers did not reconcile with the customer deposit fund balances. The detailed customer deposit register totals for the Electric Utility were \$71,097 and \$90,158 less, and the Water Utility totals were \$20,347 and \$25,735 less, than the financial statement fund balances at December 31, 2018 and 2019, respectively. The City's internal controls were not sufficient to ensure that these amounts were in agreement.

*Criteria*

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

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