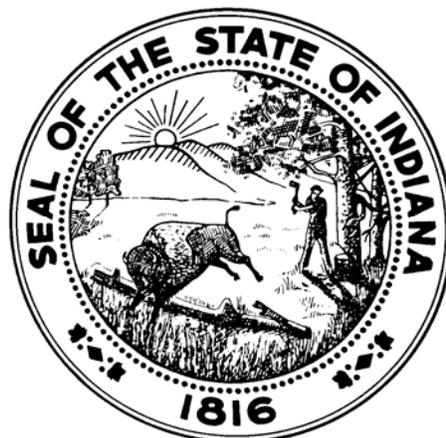


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
CITY OF GARRETT  
DEKALB COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
09/28/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennie DePaolo	01-01-04 to 12-31-07
Mayor	David Wiant	01-01-04 to 12-31-07
President of the Common Council	David Wiant	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	David Wiant	01-01-04 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF GARRETT, DEKALB COUNTY, INDIANA

We have examined the financial information presented herein of the City of Garrett (City), for the period of January 1, 2006 to December 31, 2006. The City'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 City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 15, 2007

CITY OF GARRETT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 141,734	\$ 1,289,351	\$ 1,689,217	\$ (258,132)
Motor Vehicle Highway	104,550	359,287	511,683	(47,846)
Local Road and Street	12,400	28,760	38,815	2,345
Park and Recreation	14,625	96,971	150,388	(38,792)
Park Donation	9,316	8,012	14,775	2,553
Cumulative Park	70,084	11,248	42,535	38,797
Redevelopment	63,775	8,760	49,453	23,082
Heritage Nonreverting	805	-	114	691
Debt Service	101,274	47,060	144,995	3,339
Law Enforcement Continuing Education	4,630	1,912	715	5,827
Operation Pullover	250	-	-	250
Homeland Security Grant	-	66,628	66,628	-
Industrial Development Grant	-	220,000	220,000	-
Riverboat	86,611	36,516	84,396	38,731
Rainy Day	155,352	32,439	42,246	145,545
TIF	416,322	201,769	-	618,091
Donation	24,398	33,136	35,795	21,739
Downtown Improvement	-	65,036	18,887	46,149
Electronic Transfer	7,090	834,983	831,249	10,824
Code Enforcement	22,492	8,530	28,482	2,540
General Improvement	10,759	1,533	-	12,292
Cumulative Capital Improvement	13,885	20,731	11,920	22,696
Cumulative Capital Development	46,727	30,615	65,350	11,992
Cumulative Fire	131,569	113,067	194,400	50,236
CEDIT	69,943	157,577	182,519	45,001
<b>Proprietary Funds:</b>				
Electric Utility - Operating	741,150	6,075,478	5,814,224	1,002,404
Electric Utility - Bond and Interest	112,422	296,041	376,721	31,742
Electric Utility - Depreciation	372,929	1,317,119	1,079,210	610,838
Electric Utility - Customer Deposit	118,873	39,100	30,440	127,533
Electric Utility - Construction	1,265,751	244,458	1,510,209	-
Electric Utility - Cash Reserve	307,980	94,000	94,000	307,980
Water Utility - Operating	674,440	807,024	930,165	551,299
Water Utility - Bond and Interest	6,903	67,137	61,615	12,425
Water Utility - Customer Deposit	39,260	11,460	8,390	42,330
Water Utility - Construction	223,917	7,575	231,492	-
Water Utility - Depreciation	55,199	259,483	72,146	242,536
Water Utility - Cash Reserve	66,155	3,000	3,000	66,155
Wastewater Utility - Operating	1,127,129	1,549,376	1,230,287	1,446,218
Wastewater Utility - Bond and Interest	452,340	470,635	576,910	346,065
Wastewater Utility - Customer Deposit	51,212	23,200	10,550	63,862
Wastewater Utility - Construction	400,888	866	401,754	-
Wastewater Utility - Depreciation	1,500	322,847	125,789	198,558
Wastewater Utility - Cash Reserve	516,688	-	-	516,688
Employee Benefit Trust	86,008	363,878	327,798	122,088
<b>Fiduciary Funds:</b>				
Police Officers' Pension	227,962	91,540	126,510	192,992
Payroll	11,688	1,882,719	1,890,232	4,175
<b>Totals</b>	<u>\$ 8,368,985</u>	<u>\$ 17,600,857</u>	<u>\$ 19,326,004</u>	<u>\$ 6,643,838</u>

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

CITY OF GARRETT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

The City 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 City 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.

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 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.

CITY OF GARRETT  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

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.

Note 7. Long-Term Debt

The City has entered into various debts such as general obligation bonds to provide funds for the acquisition and construction of major capital facilities; a loan for the purchase of a fire truck; several capital leases for the construction of a police/fire station; the purchase of communication equipment and a street sweeper; and an interfund loan from the Wastewater Utility for the purchase of a fire truck. The outstanding principal at December 31, 2006, was \$120,000, \$6,973, \$572,347 and \$92,855, respectively. The Electric, Water, and Wastewater Utilities have entered into various revenue bonds for expansion and improvements. Revenue bonds outstanding at December 31, 2006, were \$3,820,000, \$775,000, and \$5,230,000, respectively.

CITY OF GARRETT  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

The December 2006, property tax distributions were not received from the County Auditor until January 2007. This caused the fund balances of the General Fund, Motor Vehicle Highway Fund, and Park and Recreation Fund to be overdrawn in 2006.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 51)

POLICE RECEIPTS

Instances were noted where receipts and fees collected by the Police Department were remitted to the Clerk-Treasurer less frequently than once a week.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or controller at least once a week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 1993)

CITY OF GARRETT  
EXIT CONFERENCE

The contents of this report were discussed on August 15, 2007, with Jennie DePaolo, Clerk-Treasurer.