

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

EXAMINATION REPORT
OF
CITY OF WARSAW
KOSCIUSKO COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
11/04/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	M. Elaine Call	01-01-08 to 12-31-11
Mayor	Ernest B. Wiggins	01-01-08 to 12-31-11
President of the Common Council	Joseph M. Thallemer	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF WARSAW, KOSCIUSKO COUNTY, INDIANA

We have examined the financial information presented herein of the City of Warsaw (City), for the period of January 1, 2008 to December 31, 2008. 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, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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 basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 13, 2009

CITY OF WARSAW
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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 6,201,155	\$ 10,836,152	\$ 10,877,430	\$ 6,159,877
Motor Vehicle Highway	594,199	345,048	404,839	534,407
Local Road and Street	70,832	116,678	25,000	162,510
Parks and Recreation	693,220	1,887,108	2,176,490	403,838
Law Enforcement Continuing Education	26,287	21,544	17,812	30,019
Riverboat	63,100	77,880	97,531	43,449
Rainy Day	119,277	458,603	-	577,880
Donation	37,308	78,355	77,292	38,371
Cumulative Capital Improvement	145,014	40,374	80,491	104,897
Cumulative Capital Development	997,458	244,441	483,148	758,751
CEDIT	35,755	806,870	790,000	52,625
Unsafe Building	4,040	152	152	4,040
Park Operational Non Reverting	14,420	12,523	8,220	18,723
Park Capital Outlay Non Reverting	57,214	11,570	46,500	22,284
Cemetery Permanent and Perpetual Care	1,149,394	71,955	2,343	1,219,006
Aviation Depreciation	185,683	25,260	-	210,943
Aviation	976,053	514,018	557,352	932,719
Redevelopment District General	65,995	55,025	26,956	94,064
Grants	4,113	276,797	253,530	27,380
Redevelopment Allocation	729,188	159,433	10,110	878,511
Cemetery	241,123	387,457	411,026	217,554
Cumulative Fire	865,249	219,424	210,346	874,327
General Bond	115,267	297,732	325,183	87,816
General Bond 2008	-	1,100,182	38,986	1,061,196
Redevelopment Northern TIF Allocation	1,277,607	850,069	1,162,769	964,907
Aviation Fuel Trust	118,804	3,692,591	3,732,299	79,096
Redevelopment TIF Winona Interurban	1,372	660	-	2,032
Housing Revolving Loan	119,988	9,879	21,568	108,299
Proprietary Funds:				
Wastewater Operating	3,976,126	6,718,074	6,361,425	4,332,775
Wastewater Depreciation	79,930	202,218	226,873	55,275
Wastewater Construction	2,179	39	2,218	-
Wastewater Cash Reserve	131,078	262,155	262,155	131,078
Wastewater 2003 Bond and Interest	17,581	1,044,456	1,059,535	2,502
Wastewater 2003 Bond Sinking	1,047,749	13,441	-	1,061,190
Wastewater Lease Bond 2005 Sinking	587,250	282,750	-	870,000
Wastewater Lease Bond 2005 Payment	-	1,014,025	863,000	151,025
Wastewater Const/Rev Bond 2008	-	2,698,272	388,614	2,309,658
Wastewater Bond & Int 2008	-	60,339	60,105	234
Wastewater Bd 2008 Sinking	-	11,721	-	11,721
Employee Benefit Trust	156,901	2,696,193	2,808,516	44,578
Self-Insurance	62,702	1,976,838	1,934,162	105,378
Fiduciary Funds:				
Police Pension	709,432	381,315	421,623	669,124
Fire Pension	597,306	292,184	255,401	634,089
Payroll	116,219	8,075,307	8,075,456	116,070
Tax	130	3,424	3,478	76
Park Security Deposit	847	23,022	23,403	466
Totals	\$ 22,394,545	\$ 48,353,553	\$ 44,583,337	\$ 26,164,760

The accompanying notes are an integral part of the financial information

CITY OF WARSAW
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, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, urban redevelopment and housing, and wastewater treatment.

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 WARSAW
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 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% 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. Subsequent Event

The Warsaw-Wayne Township Fire Protection Territory was established on February 24, 2009. An Interlocal Cooperation Agreement between the City of Warsaw and Wayne Township, Kosciusko County for the Warsaw-Wayne Township Fire Protection Territory was approved on March 24, 2009. Due to the formation of the Fire Protection Territory, there was an early payoff of the 2005 capital lease purchase agreement for fire trucks. The amount paid in 2009 was \$174,454.

On February 20, 2009, the City accepted an additional \$875,000 in Federal Highway Administration Group III funds for the Argonne Road/Parker Street Project. The funds will be administered by the Indiana Department of Transportation.

On February 20, 2009, the City approved a contract with Engineering Technologies, Inc., for the Argonne Road/Parker Street Construction Inspection in the amount of \$399,989.

On September 4, 2009, the Board of Works approved a stimulus grant of \$3,000,000 to be used for street projects. The funds will be administered by the Indiana Department of Transportation.

CITY OF WARSAW
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2008

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.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,855,452
Infrastructure	46,938,057
Buildings	4,617,162
Improvements other than buildings	4,327,155
Machinery and equipment	11,245,538
Construction in progress	<u>2,194,439</u>
 Total governmental activities, capital assets not being depreciated	 <u><u>\$ 73,177,803</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 239,706
Construction in progress	621,633
Buildings	16,967,604
Improvements other than buildings	29,451,671
Machinery and equipment	<u>1,289,724</u>
 Total business-type activities capital assets	 <u><u>\$ 48,570,338</u></u>

CITY OF WARSAW
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Old National/Street Dump Trucks 2006	\$ 144,703	\$ 35,742
Sun Trust/Fire Trucks 2005	169,082	174,454
Lake City Bank/Street Dump Trucks 2005	101,575	30,916
Notes and loans payable:		
Brownsfield Site IDFA Loan 2002	73,486	19,363
Brownsfield Site IDFA Loan 2002	19,328	5,093
Bond service charges	2,595,200	222,200
Bonds payable:		
General obligation bonds:		
General Bd Logan Street Extension	320,000	224,099
General Bd Fire Equipment	<u>1,110,000</u>	<u>29,593</u>
Total governmental activities debt	<u>\$ 4,533,374</u>	<u>\$ 741,460</u>
Business-type activities:		
Wastewater Utility:		
Capital leases:		
Lake City Bank/Vactor 2007	\$ 206,777	\$ 63,457
Lake City Bk/Building Corp Lease Rental Bd	9,610,000	860,975
Revenue bonds:		
Bond 2003/IMPROVEMENTS	8,720,000	1,061,190
Bond 2008/CSO-LAB-IMPROVEMENTS	<u>2,710,000</u>	<u>120,210</u>
Total business-type activities debt	<u>\$ 21,246,777</u>	<u>\$ 2,105,832</u>

CITY OF WARSAW
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2009, with M. Elaine Call, Clerk-Treasurer; Ernest B. Wiggins, Mayor; and Joseph M. Thallemer, President of the Common Council. Our examination disclosed no material items that warrant comment at this time.