

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, 2008 to December 31, 2008



FILED
12/28/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jennie DePaolo	01-01-08 to 12-31-11
Mayor	David Wiant	01-01-08 to 12-31-11
President of the Common Council	David Wiant	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	David Wiant	01-01-08 to 12-31-11



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 GARRETT, DEKALB COUNTY, INDIANA

We have examined the financial information presented herein of the City of Garrett (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

November 17, 2009

CITY OF GARRETT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As For the Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 186,902	\$ 1,758,082	\$ 1,772,954	\$ 172,030
Code Enforcement	10,984	16,009	4,165	22,828
City Donation	17,481	10,253	10,605	17,129
Law Enforcement Continuing Education	83	3,036	-	3,119
Local Road and Street	16,229	29,779	27,056	18,952
Motor Vehicle Highway	93,460	552,686	550,393	95,753
Operation Pullover	-	2,000	1,500	500
Park Donation	807	7,156	7,149	814
Parks and Recreation	20,646	202,085	193,974	28,757
Rainy Day	201,369	85,435	-	286,804
Riverboat	60,282	36,402	-	96,684
TIF	559,386	427,357	44,662	942,081
Debt Service	40,994	17,594	58,479	109
CEDIT	81,300	167,752	179,416	69,636
Cumulative Capital Development	54,154	57,980	44,363	67,771
Cumulative Capital Improvement	15,105	18,872	-	33,977
Cumulative Fire	82,868	34,505	71,418	45,955
Cumulative Park	20,612	18,137	19,063	19,686
Downtown Improvement	46	-	46	-
Redevelopment	74,418	12,937	32,994	54,361
General Improvement	12,292	-	-	12,292
Proprietary Funds:				
Electric Utility - Customer Deposit	129,286	36,189	36,420	129,055
Electric Utility - Cash Reserve	-	52,000	52,000	-
Electric Utility - Deprec/improve	614,515	918,000	214,887	1,317,628
Electric Utility - Operating	1,214,624	7,678,327	8,057,679	835,272
Electric Utility - Bond and Interest	33,009	300,655	293,998	39,666
Electric Utility - Debt Reserve	307,980	300,000	300,000	307,980
Electric Utility - IM True Up	-	390,000	-	390,000
Water Utility - Customer Deposit	41,405	13,550	8,840	46,115
Water Utility - Depreciation	187,870	91,739	195,792	83,817
Water Utility - Operating	504,157	785,314	818,697	470,774
Water Utility - Bond and Interest	12,233	60,777	64,490	8,520
Water Utility - Debt Service Reserve	66,155	-	-	66,155
Water Utility - Cash Reserve	-	9,000	9,000	-
Wastewater Utility - Customer Deposit	68,779	19,140	15,158	72,761
Wastewater Utility - Depreciation	205,985	858,731	261,258	803,458
Wastewater Utility - Operating	1,733,724	1,514,203	2,189,511	1,058,416
Wastewater Utility - Bond and Interest	362,944	879,855	1,106,934	135,865
Wastewater Utility - Debt Service Reserve	516,687	-	78,312	438,375
Employee Benefit Trust	168,605	468,326	530,468	106,463
Fiduciary Funds:				
Police Pension	149,141	44,348	75,806	117,683
Payroll	4,985	2,068,901	2,072,424	1,462
Electronic Transfer	8,780	979,157	979,278	8,659
Totals	\$ 7,880,282	\$ 20,926,269	\$ 20,379,189	\$ 8,427,362

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, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, electric, water, wastewater, urban development, 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the City 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 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 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 Events

On January 6, 2009, the City awarded a contract to Pyramid Excavating, Inc., in the amount of \$130,427.65 for the Forest Park Drive Sanitary Sewer and Water Main Extensions project.

On February 2, 2009, the City received a grant agreement from the Federal Emergency Management Agency and the Department of Homeland Security approving the purchase of \$200,000 in firefighting equipment. The Federal share is 95% and the local share is 5%.

On April 7, 2009, the City awarded a contract to purchase a fire truck from Freedom Fire Equipment for \$200,000.

On June 2, 2009, the City awarded a contract to API Construction Corp. in the amount of \$574,910 for the Garrett Water Improvement Project.

CITY OF GARRETT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended 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 completed in the current and prior years have been reported. Retroactive reporting of general infrastructure assets will not be done.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,320,631
Infrastructure	10,611,398
Buildings	1,691,633
Improvements other than buildings	525,215
Machinery and equipment	<u>2,383,177</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 17,532,054</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 37,983
Construction in progress	154,509
Buildings	290,157
Improvements other than buildings	4,258,719
Machinery and equipment	190,842
Transportation equipment	<u>99,673</u>
Total Water Utility capital assets	<u>5,031,883</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	43,792
Construction in progress	117,408
Buildings	1,279,568
Improvements other than buildings	7,436,790
Machinery and equipment	5,107,411
Transportation equipment	<u>10,000</u>
Total Wastewater Utility capital assets	<u>13,994,969</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	183,832
Construction in progress	380,082
Buildings	54,044
Improvements other than buildings	11,997,723
Machinery and equipment	378,664
Transportation equipment	<u>440,721</u>
Total Electric Utility capital assets	<u>13,435,066</u>
Total business-type activities capital assets	<u>\$ 32,461,918</u>

CITY OF GARRETT
 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:		
Police/Fire Station	\$ 390,587	\$ 90,000
Street Sweeper	<u>20,983</u>	<u>21,672</u>
Total governmental activities debt	<u>\$ 411,570</u>	<u>\$ 111,672</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks improvement	\$ 720,000	\$ 16,608
Wastewater Utility:		
Revenue bonds:		
Sewageworks, wastewater expansion	\$ 4,485,000	\$ 302,712
Electric Utility:		
Revenue bonds:		
Electric Utility improvements and extension	\$ 3,545,000	\$ 74,024
Total business-type activities debt	<u>\$ 8,750,000</u>	<u>\$ 393,344</u>

CITY OF GARRETT
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$422.16 were paid to the Internal Revenue Service on January 2, 2008, for the period ending September 30, 2007, due to an addition error.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARD PAYMENTS

Three credit card payments were tested during the claims test. The supporting documentation for each of these credit card payments was incomplete.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF GARRETT
EXIT CONFERENCE

The contents of this report were discussed on November 17, 2009, with Jennie DePaolo, Clerk-Treasurer. The official concurred with our findings.