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**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, 2009 to December 31, 2009



**FILED**  
05/06/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	M. Elaine Call Lynne A. Christiansen	01-01-08 to 03-05-10 03-06-10 to 12-31-11
Mayor	Ernest B. Wiggins	01-01-08 to 12-31-11
President of the Common Council	Joseph M. Thallemer	01-01-09 to 12-31-10



**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, 2009 to December 31, 2009. 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, 2009, 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

March 18, 2010

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, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
<b>Governmental Funds:</b>				
General	\$ 6,159,877	\$ 12,229,839	\$ 10,600,766	\$ 7,788,950
Motor Vehicle Highway	534,407	349,437	282,751	601,093
Local Road and Street	162,510	110,759	119,095	154,174
Parks and Recreation	403,838	1,876,714	1,591,867	688,685
Law Enforcement Continuing Education	30,019	21,060	14,972	36,107
Riverboat	43,449	77,694	84,538	36,605
Rainy Day	577,880	89,553	250,726	416,707
Donation	38,371	56,578	70,824	24,125
Cumulative Capital Improvement	104,897	38,069	14,294	128,672
Cumulative Capital Development	758,751	524,297	328,140	954,908
CEDIT	52,625	1,027,260	818,000	261,885
Unsafe Building	4,040	-	-	4,040
Park Operational Non Reverting	18,723	13,121	9,581	22,263
Park Capital Outlay Non Reverting	22,284	9,965	-	32,249
Cemetery Permanent and Perpetual Care	1,219,006	51,831	18,638	1,252,199
Aviation Depreciation	210,943	24,197	17,010	218,130
Aviation	932,719	502,782	611,317	824,184
Redevelopment District General	94,064	45,422	24,956	114,530
Grants	27,380	463,242	472,943	17,679
Redevelopment Allocation	878,511	459,432	149,492	1,188,451
Cemetery	217,554	522,749	424,332	315,971
Cumulative Fire	874,327	215,066	385,460	703,933
General Bond	87,816	432,991	386,742	134,065
General Bond 2008	1,061,196	-	1,061,196	-
Redevelopment Northern TIF Allocation	964,907	2,200,275	832,124	2,333,058
Aviation Fuel Trust	79,096	2,283,796	2,274,043	88,849
Redevelopment TIF Winona Interurban	2,032	3,925	-	5,957
Housing Revolving Loan	108,299	18,122	19,499	106,922
<b>Proprietary Funds:</b>				
Wastewater Operating	4,332,775	8,092,122	6,128,246	6,296,651
Wastewater Depreciation	55,275	1,286,881	386,277	955,879
Wastewater Cash Reserve	131,078	262,155	262,155	131,078
Wastewater 2003 Bond and Interest	2,502	1,064,652	1,061,190	5,964
Wastewater 2003 Bond Sinking	1,061,190	-	-	1,061,190
Wastewater Lease Bond 2005 Sinking	870,000	-	-	870,000
Wastewater Lease Bond 2005 Payment	151,025	867,000	867,000	151,025
Wastewater Const/Rev Bond 2008	2,309,658	593	2,310,206	45
Wastewater Bond & Int 2008	234	120,637	120,210	661
Wastewater Bd 2008 Sinking	11,721	23,442	-	35,163
Employee Benefit Trust	44,578	2,030,543	2,046,506	28,615
Self Insurance	105,378	2,239,870	1,892,753	452,495
<b>Fiduciary Funds:</b>				
Police Pension	669,124	498,073	337,099	830,098
Fire Pension	634,089	327,991	258,002	704,078
Payroll	116,070	8,411,076	8,418,895	108,251
Tax	76	3,306	3,300	82
Park Security Deposit	466	19,078	18,722	822
<b>Totals</b>	<u>\$ 26,164,760</u>	<u>\$ 48,895,595</u>	<u>\$ 44,973,867</u>	<u>\$ 30,086,488</u>

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 District 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 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 formed in 2009 by the City of Warsaw and Wayne Township, Kosciusko County, began operations on January 1, 2010. The provider unit is the City of Warsaw. On January 25, 2010, the City of Warsaw made a temporary loan transfer of \$500,000 from the General Fund to the Fire Territory Operating Fund, which will be paid back out of property tax distributions.

On January 29, 2010, the Fire Territory Equipment Fund received \$81,618.63 from Wayne Township, Kosciusko County. This money is to be used for a future land purchase.

Due to the formation of the Warsaw-Wayne Township Fire Protection Territory, the Cumulative Fire fund has been closed. The remaining balance of \$803,933.26 was transferred to the Rainy Day fund on February 19, 2010.

CITY OF WARSAW  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2009

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	47,214,190
Buildings	4,897,693
Improvements other than buildings	4,617,155
Machinery and equipment	12,538,432
Construction in progress	<u>2,585,372</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 75,708,294</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	1,737,222
Buildings	18,036,007
Improvements other than buildings	30,026,537
Machinery and equipment	<u>1,385,078</u>
 Total business-type activities capital assets	 <u>\$ 51,424,550</u>

CITY OF WARSAW  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
December 31, 2009

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	\$ 114,917	\$ 35,742
Lake City Bank/Street Dump Trucks 2005	73,701	30,916
Notes and loans payable:		
Brownsfield Site IDFA Loan 2002	55,796	19,363
Brownsfield Site IDFA Loan 2002	14,676	5,093
Bond service charges (Danek)	2,373,000	224,800
Bonds payable:		
General obligation bonds:		
General Bd Logan Street Extension	110,000	112,915
General Bd Fire Equipment	<u>1,110,000</u>	<u>144,575</u>
Total governmental activities debt	<u>\$ 3,852,090</u>	<u>\$ 573,404</u>
Business-type activities:		
Wastewater Utility:		
Capital leases:		
Lake City Bank/Vactor 2007	\$ 150,336	\$ 63,457
Lake City Bk/Building Corp Lease Rental Bd	12,139,000	870,000
Revenue bonds:		
Bond 2003/IMPROVEMENTS	8,035,000	1,057,465
Bond 2008/CSO-LAB-IMPROVEMENTS	<u>2,710,000</u>	<u>120,210</u>
Total business-type activities debt	<u>\$ 23,034,336</u>	<u>\$ 2,111,132</u>

CITY OF WARSAW  
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2010, with M. Elaine Call, former Clerk-Treasurer; Lynne A. Christiansen, 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.