

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF GARRETT

DEKALB COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
01/30/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcie L. Conkle	01-01-12 to 12-31-15
Mayor	Tonya Hoeffel	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Tonya Hoeffel	01-01-12 to 12-31-13
President Pro Tempore of the Common Council	Brad Stump	01-01-12 to 12-31-13
Supervisor of Water Utility	Pat Kleeman	01-01-12 to 12-31-13
Supervisor of Wastewater Utility	Bruce Schlosser	01-01-12 to 12-31-13
Supervisor of Electric Utility	Michael Steward Dave Vanderbosch	01-01-12 to 12-31-12 01-01-13 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the City of Garrett (City), for the year ended December 31, 2012. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

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

December 18, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF GARRETT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 648,831	\$ 2,301,888	\$ 2,248,338	\$ 702,381
Motor Vehicle Highway	61,705	587,556	488,561	160,700
Local Road and Street	13,045	29,710	753	42,002
Law Enforcement Continuing Education	7,980	4,477	6,787	5,670
Park and Recreation	80,288	207,290	177,743	109,835
Rainy Day	389,292	-	100,900	288,392
County Economic Development Income Tax	84,857	149,015	-	233,872
Cumulative Capital Development	99,787	86,100	7,360	178,527
Fire Grant	-	5,000	5,000	-
Cumulative Fire	64,322	25,313	11,985	77,650
Cumulative Park	44,786	13,103	-	57,889
General Improvement	12,292	-	-	12,292
Cumulative Capital Improvement	59,326	16,672	17,129	58,869
Police Pension	110,993	79,062	71,676	118,379
Riverboat	25,263	37,238	5,316	57,185
Petty Cash/Cash Change	150	-	-	150
City Donation	16,807	10,543	9,375	17,975
Parks Donation	792	3,400	1,290	2,902
Blitz Federal Grant	-	390	390	-
Safe Routes Grant	-	7,250	7,250	-
Redevelopment	44,794	3,616	4,541	43,869
Tax Increment Financing	1,411,577	609,458	302,090	1,718,945
Electronic Transfer	289	1,110,450	1,092,041	18,698
Payroll Net Salaries	-	92,750	92,750	-
Payroll Federal Withholding	-	226,975	226,975	-
Payroll FICA	-	69,226	69,226	-
Payroll Medicare	-	29,752	29,752	-
Payroll State Withholding	-	73,976	73,976	-
Payroll County Withholding	-	29,481	29,481	-
Payroll Police Pension Withholding	3,443	13,821	17,283	(19)
Payroll Voluntary PERF	5,503	6,576	9,226	2,853
Payroll Aflac	-	13,049	13,049	-
Payroll Direct Deposit	-	1,517,234	1,517,234	-
Payroll Cafeteria Plan	-	20,915	20,915	-
Payroll Employee Support Payments	-	35,173	35,173	-

The notes to the financial statement are an integral part of this statement.

CITY OF GARRETT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012
(Continued)

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Payroll Employee's Utilities Withholding	-	25,188	25,188	-
Payroll Capital Bank and Trust	-	520	520	-
Payroll Washington National Life	-	242	242	-
Payroll Colonial Insurance Payments	-	299	299	-
Payroll Allen County Garnishment	-	255	255	-
Payroll Annual Support Withholding	-	330	330	-
Payroll Group Insurance Withholding	863	115,843	119,206	(2,500)
Payroll Back Property Tax	-	5,100	5,100	-
Payroll Steuben Garnishment	-	74	74	-
Payroll Allen County Support Garnishment	-	250	250	-
Payroll Pioneer Credit Garnishment	-	535	535	-
Payroll Unknown	318	30	30	318
Electric Utility Operating	600,391	7,570,232	7,932,466	238,157
Electric Utility Bond and Interest	271,715	295,196	523,321	43,590
Electric Utility Depreciation	600,691	316,125	71,685	845,131
Electric Utility Consumer Deposit	109,195	42,400	40,155	111,440
Electric Utility Cash Reserve	-	104,000	104,000	-
Electric Utility Debt Reserve	307,980	-	-	307,980
Electric Utility IM True Up	167,410	36,000	35,863	167,547
Electric Utility Sub-Station Project	20,500	-	20,500	-
Wastewater Utility Operating	184,106	1,849,409	1,639,255	394,260
Wastewater Utility Debt Reserve	438,375	-	44,616	393,759
Wastewater Utility Depreciation	226,229	99,386	139,479	186,136
Wastewater Utility Consumer Deposit	65,900	21,500	20,713	66,687
Wastewater Utility Bond and Interest	436,628	4,269,792	4,693,568	12,852
Wastewater Utility Cash Reserve	-	60,000	60,000	-
Water Utility Bond and Interest	56,132	59,547	105,322	10,357
Water Utility Operating	113,575	991,360	974,618	130,317
Water Utility Debt Reserve	66,155	-	-	66,155
Water Utility Improvement	10,682	4,673	11,160	4,195
Water Utility Consumer Deposit	56,290	20,000	17,560	58,730
Water Utility Cash Reserve	-	6,000	6,000	-
Totals	<u>\$ 6,919,257</u>	<u>\$ 23,310,745</u>	<u>\$ 23,285,875</u>	<u>\$ 6,944,127</u>

The notes to the financial statement are an integral part of this statement.

CITY OF GARRETT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the

CITY OF GARRETT
NOTES TO FINANCIAL STATEMENT
(Continued)

state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, recycling fees, dog pound fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

CITY OF GARRETT
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 STATEMENT
(Continued)

Note 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

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

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The

CITY OF GARRETT
NOTES TO FINANCIAL STATEMENT
(Continued)

plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. *1977 Police Officers' and Firefighters' Pension and Disability Fund*

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of making payments prior to receiving receipts.

CITY OF GARRETT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Subsequent Events

On June 28, 2013, the City issued Sewage Works Revenue Bonds of 2013 in the amount of \$4,170,000. The proceeds of these bonds are for improvements to the Wastewater Plant to comply with an Agreed Order with IDEM.

On June 28, 2013, the City entered into a \$3,397,000 Guaranteed Energy Savings Performance Contract with Bowen Engineering for the Wastewater Treatment Plant Improvement Project.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the City's Annual Report information for years 2011 and later can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park and Recreation	Rainy Day	County Economic Development Income Tax
Cash and investments - beginning	\$ 648,831	\$ 61,705	\$ 13,045	\$ 7,980	\$ 80,288	\$ 389,292	\$ 84,857
Receipts:							
Taxes	928,967	393,433	-	-	140,546	-	-
Licenses and permits	4,998	-	-	2,930	-	-	-
Intergovernmental	492,300	192,222	29,456	-	11,835	-	149,015
Charges for services	362,554	-	-	678	54,169	-	-
Fines and forfeits	23,821	-	-	869	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	489,248	1,901	254	-	740	-	-
Total receipts	<u>2,301,888</u>	<u>587,556</u>	<u>29,710</u>	<u>4,477</u>	<u>207,290</u>	<u>-</u>	<u>149,015</u>
Disbursements:							
Personal services	1,144,326	323,114	-	-	73,945	-	-
Supplies	129,474	76,981	-	-	54,821	-	-
Other services and charges	625,255	88,466	753	6,787	47,752	-	-
Capital outlay	346,986	-	-	-	-	100,900	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,297	-	-	-	1,225	-	-
Total disbursements	<u>2,248,338</u>	<u>488,561</u>	<u>753</u>	<u>6,787</u>	<u>177,743</u>	<u>100,900</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>53,550</u>	<u>98,995</u>	<u>28,957</u>	<u>(2,310)</u>	<u>29,547</u>	<u>(100,900)</u>	<u>149,015</u>
Cash and investments - ending	<u>\$ 702,381</u>	<u>\$ 160,700</u>	<u>\$ 42,002</u>	<u>\$ 5,670</u>	<u>\$ 109,835</u>	<u>\$ 288,392</u>	<u>\$ 233,872</u>

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Cumulative Capital Development	Fire Grant	Cumulative Fire	Cumulative Park	General Improvement	Cumulative Capital Improvement	Police Pension
Cash and investments - beginning	\$ 99,787	\$ -	\$ 64,322	\$ 44,786	\$ 12,292	\$ 59,326	\$ 110,993
Receipts:							
Taxes	79,225	-	23,292	11,725	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	6,875	5,000	2,021	1,378	-	16,672	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	79,062
Total receipts	86,100	5,000	25,313	13,103	-	16,672	79,062
Disbursements:							
Personal services	-	-	-	-	-	-	69,770
Supplies	-	-	-	-	-	-	206
Other services and charges	1,440	-	-	-	-	-	1,700
Capital outlay	5,920	5,000	11,985	-	-	17,129	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	7,360	5,000	11,985	-	-	17,129	71,676
Excess (deficiency) of receipts over disbursements	78,740	-	13,328	13,103	-	(457)	7,386
Cash and investments - ending	\$ 178,527	\$ -	\$ 77,650	\$ 57,889	\$ 12,292	\$ 58,869	\$ 118,379

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Riverboat	Petty Cash/ Cash Change	City Donation	Parks Donation	Blitz Federal Grant	Safe Routes Grant
Cash and investments - beginning	\$ 25,263	\$ 150	\$ 16,807	\$ 792	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	37,238	-	-	-	390	7,250
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	10,543	3,400	-	-
Total receipts	<u>37,238</u>	<u>-</u>	<u>10,543</u>	<u>3,400</u>	<u>390</u>	<u>7,250</u>
Disbursements:						
Personal services	-	-	-	-	390	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	112	-	-	7,250
Capital outlay	5,316	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	9,263	1,290	-	-
Total disbursements	<u>5,316</u>	<u>-</u>	<u>9,375</u>	<u>1,290</u>	<u>390</u>	<u>7,250</u>
Excess (deficiency) of receipts over disbursements	<u>31,922</u>	<u>-</u>	<u>1,168</u>	<u>2,110</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 57,185</u>	<u>\$ 150</u>	<u>\$ 17,975</u>	<u>\$ 2,902</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Redevelopment	Tax Increment Financing	Electronic Transfer	Payroll Net Salaries	Payroll Federal Withholding	Payroll FICA
Cash and investments - beginning	\$ 44,794	\$ 1,411,577	\$ 289	\$ -	\$ -	\$ -
Receipts:						
Taxes	3,327	609,458	423,601	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	289	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	686,849	92,750	226,975	69,226
Total receipts	<u>3,616</u>	<u>609,458</u>	<u>1,110,450</u>	<u>92,750</u>	<u>226,975</u>	<u>69,226</u>
Disbursements:						
Personal services	865	-	-	92,750	-	-
Supplies	-	-	-	-	-	-
Other services and charges	3,676	-	165	-	-	-
Capital outlay	-	302,090	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	1,091,876	-	226,975	69,226
Total disbursements	<u>4,541</u>	<u>302,090</u>	<u>1,092,041</u>	<u>92,750</u>	<u>226,975</u>	<u>69,226</u>
Excess (deficiency) of receipts over disbursements	<u>(925)</u>	<u>307,368</u>	<u>18,409</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 43,869</u>	<u>\$ 1,718,945</u>	<u>\$ 18,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll Medicare	Payroll State Withholding	Payroll County Withholding	Payroll Police Pension Withholding	Payroll Voluntary PERF	Payroll Aflac
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 3,443	\$ 5,503	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	29,752	73,976	29,481	13,821	6,576	13,049
Total receipts	<u>29,752</u>	<u>73,976</u>	<u>29,481</u>	<u>13,821</u>	<u>6,576</u>	<u>13,049</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	29,752	73,976	29,481	17,283	9,226	13,049
Total disbursements	<u>29,752</u>	<u>73,976</u>	<u>29,481</u>	<u>17,283</u>	<u>9,226</u>	<u>13,049</u>
Excess (deficiency) of receipts over disbursements	-	-	-	(3,462)	(2,650)	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19)</u>	<u>\$ 2,853</u>	<u>\$ -</u>

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll Direct Deposit	Payroll Cafeteria Plan	Payroll Employee Support Payments	Payroll Employee's Utilities Withholding	Payroll Capital Bank and Trust	Payroll Washington National Life
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	1,517,234	20,915	35,173	25,188	520	242
Total receipts	<u>1,517,234</u>	<u>20,915</u>	<u>35,173</u>	<u>25,188</u>	<u>520</u>	<u>242</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,517,234	20,915	35,173	25,188	520	242
Total disbursements	<u>1,517,234</u>	<u>20,915</u>	<u>35,173</u>	<u>25,188</u>	<u>520</u>	<u>242</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll Colonial Insurance Payments	Payroll Allen County Garnishment	Payroll Annual Support Withholding	Payroll Group Insurance Withholding	Payroll Back Property Tax	Payroll Steuben Garnishment
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 863	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	299	255	330	115,843	5,100	74
Total receipts	<u>299</u>	<u>255</u>	<u>330</u>	<u>115,843</u>	<u>5,100</u>	<u>74</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	299	255	330	119,206	5,100	74
Total disbursements	<u>299</u>	<u>255</u>	<u>330</u>	<u>119,206</u>	<u>5,100</u>	<u>74</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,363)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,500)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Payroll Allen County Support Garnishment	Payroll Pioneer Credit Garnishment	Payroll Unknown	Electric Utility Operating	Electric Utility Bond and Interest	Electric Utility Depreciation
Cash and investments - beginning	\$ -	\$ -	\$ 318	\$ 600,391	\$ 271,715	\$ 600,691
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	7,457,431	-	-
Penalties	-	-	-	12,950	-	-
Other receipts	250	535	30	99,851	295,196	316,125
Total receipts	<u>250</u>	<u>535</u>	<u>30</u>	<u>7,570,232</u>	<u>295,196</u>	<u>316,125</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	5,692	-	-
Utility operating expenses	-	-	-	7,411,874	-	71,685
Other disbursements	250	535	30	514,900	523,321	-
Total disbursements	<u>250</u>	<u>535</u>	<u>30</u>	<u>7,932,466</u>	<u>523,321</u>	<u>71,685</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>(362,234)</u>	<u>(228,125)</u>	<u>244,440</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318</u>	<u>\$ 238,157</u>	<u>\$ 43,590</u>	<u>\$ 845,131</u>

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Electric Utility Consumer Deposit	Electric Utility Cash Reserve	Electric Utility Debt Reserve	Electric Utility IM True Up	Electric Utility Sub-Station Project	Wastewater Utility Operating
Cash and investments - beginning	\$ 109,195	\$ -	\$ 307,980	\$ 167,410	\$ 20,500	\$ 184,106
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	42,400	-	-	-	-	1,461,065
Penalties	-	-	-	-	-	-
Other receipts	-	104,000	-	36,000	-	388,344
Total receipts	<u>42,400</u>	<u>104,000</u>	<u>-</u>	<u>36,000</u>	<u>-</u>	<u>1,849,409</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	10,887
Utility operating expenses	-	-	-	35,863	-	1,216,396
Other disbursements	40,155	104,000	-	-	20,500	411,972
Total disbursements	<u>40,155</u>	<u>104,000</u>	<u>-</u>	<u>35,863</u>	<u>20,500</u>	<u>1,639,255</u>
Excess (deficiency) of receipts over disbursements	<u>2,245</u>	<u>-</u>	<u>-</u>	<u>137</u>	<u>(20,500)</u>	<u>210,154</u>
Cash and investments - ending	<u>\$ 111,440</u>	<u>\$ -</u>	<u>\$ 307,980</u>	<u>\$ 167,547</u>	<u>\$ -</u>	<u>\$ 394,260</u>

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Wastewater Utility Debt Reserve	Wastewater Utility Depreciation	Wastewater Utility Consumer Deposit	Wastewater Utility Bond and Interest	Wastewater Utility Cash Reserve	Water Utility Bond and Interest
Cash and investments - beginning	\$ 438,375	\$ 226,229	\$ 65,900	\$ 436,628	\$ -	\$ 56,132
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	7,500	21,500	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	91,886	-	4,269,792	60,000	59,547
Total receipts	-	99,386	21,500	4,269,792	60,000	59,547
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	128,319	-	-	-	-
Utility operating expenses	-	11,160	-	-	-	-
Other disbursements	44,616	-	20,713	4,693,568	60,000	105,322
Total disbursements	44,616	139,479	20,713	4,693,568	60,000	105,322
Excess (deficiency) of receipts over disbursements	(44,616)	(40,093)	787	(423,776)	-	(45,775)
Cash and investments - ending	\$ 393,759	\$ 186,136	\$ 66,687	\$ 12,852	\$ -	\$ 10,357

CITY OF GARRETT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Water Utility Operating	Water Utility Debt Reserve	Water Utility Improvement	Water Utility Consumer Deposit	Water Utility Cash Reserve	Totals
Cash and investments - beginning	\$ 113,575	\$ 66,155	\$ 10,682	\$ 56,290	\$ -	\$ 6,919,257
Receipts:						
Taxes	-	-	-	-	-	2,613,574
Licenses and permits	-	-	-	-	-	7,928
Intergovernmental	-	-	-	-	-	951,941
Charges for services	-	-	-	-	-	417,401
Fines and forfeits	-	-	-	-	-	24,690
Utility fees	987,583	-	3,000	20,000	-	10,000,479
Penalties	100	-	-	-	-	13,050
Other receipts	3,677	-	1,673	-	6,000	9,281,682
Total receipts	<u>991,360</u>	<u>-</u>	<u>4,673</u>	<u>20,000</u>	<u>6,000</u>	<u>23,310,745</u>
Disbursements:						
Personal services	-	-	-	-	-	1,705,160
Supplies	-	-	-	-	-	261,482
Other services and charges	-	-	-	-	-	783,356
Capital outlay	-	-	-	-	-	940,224
Utility operating expenses	811,458	-	11,160	-	-	9,569,596
Other disbursements	163,160	-	-	17,560	6,000	10,026,057
Total disbursements	<u>974,618</u>	<u>-</u>	<u>11,160</u>	<u>17,560</u>	<u>6,000</u>	<u>23,285,875</u>
Excess (deficiency) of receipts over disbursements	<u>16,742</u>	<u>-</u>	<u>(6,487)</u>	<u>2,440</u>	<u>-</u>	<u>24,870</u>
Cash and investments - ending	<u>\$ 130,317</u>	<u>\$ 66,155</u>	<u>\$ 4,195</u>	<u>\$ 58,730</u>	<u>\$ -</u>	<u>\$ 6,944,127</u>

CITY OF GARRETT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$ 492,064	\$ 602,066
Wastewater	31,505	144,220
Water	13,600	116,641
Governmental activities	<u>107,384</u>	<u>-</u>
Totals	<u>\$ 644,553</u>	<u>\$ 862,927</u>

CITY OF GARRETT
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Garrett State Bank	Squad Car Purchase Program	<u>\$ 58,330</u>	06-05-12	06-01-17

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Electric: Revenue bonds	Substation construction/line improvement	<u>\$ 2,925,000</u>	<u>\$ 61,624</u>
Wastewater: Revenue bonds	Wastewater treatment plant expansion	<u>3,610,000</u>	<u>193,681</u>
Water: Revenue bonds	Water tower construction/main extensions	600,000	14,058
Notes and loans payable	Water works revenue note of 2009	<u>90,000</u>	<u>46,688</u>
Total Water		<u>690,000</u>	<u>60,746</u>
Totals		<u>\$ 7,225,000</u>	<u>\$ 316,051</u>

CITY OF GARRETT
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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.

	Ending Balance
Governmental activities:	
Land	\$ 2,320,631
Infrastructure	10,900,853
Buildings	1,712,789
Improvements other than buildings	712,216
Machinery, equipment, and vehicles	3,014,706
Total governmental activities	18,661,195
Electric:	
Land	203,091
Buildings	145,515
Improvements other than buildings	13,756,871
Machinery, equipment, and vehicles	869,421
Total Electric	14,974,898
Wastewater:	
Land	43,792
Buildings	1,286,532
Improvements other than buildings	9,310,258
Machinery, equipment, and vehicles	5,255,433
Total Wastewater	15,896,015
Water:	
Land	37,983
Buildings	290,157
Improvements other than buildings	5,093,512
Machinery, equipment, and vehicles	359,547
Total Water	5,781,199
Total capital assets	\$ 55,313,307

CITY OF GARRETT
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Five out of eighteen claims judgmentally selected for testing were noted to have deficiencies.

- Payments of \$54.05 and \$19.67 for local meals and food were posted to expense accounts other than Mayor's Promotional Account.
- A \$50 gift card was purchased with no documentation that the intended recipient ever received the gift card.
- Two prepaid credit cards (\$509.50 each) were purchased for police officers to use while in training for meals and gas. One of the cards had \$490 in receipts of which \$180.38 did not have the detail for the meals purchased. The other card purchased has not yet been used. For each of the prepaid cards, there was not a receipt showing the payment made for the card or the activation fees paid.

Three out of eight credit card payments selected for testing were also noted to have deficiencies.

- There were no receipts for three charges in the total amount of \$55.11.
- Itemized receipts were not presented for meals charged in the amount of \$24.94.
- Meals in the amounts of \$45.05 and \$25.34 were posted to the General-Police Gas Oil Tires account.
- A dinner meeting at a local restaurant in the amount of \$97.32 was paid out of Water and Wastewater Miscellaneous accounts instead of the Mayor's Promotional Account.
- Twelve meal charges had tips added in excess of 20 percent ranging from near 30 percent to 87 percent. Tips in excess of 20 percent amounted to \$64.91.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES AND INTEREST

The City paid penalties and interest to the Internal Revenue Service in the amount of \$550.90 for untimely payment of withholding taxes. Also, penalties and interest of \$2,339.68 was paid to the Indiana Department of Revenue for untimely payment of Indiana Utility Receipts Tax.

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.

CITY OF GARRETT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

ANNUAL REPORT

The Annual Report for 2012 did not have a completed Form 20 detailing Local Governmental Funds paid to nongovernmental entities.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

<u>Fund</u>	<u>Amount Overdrawn</u>
Payroll Police Pension Withholding	\$ 19
Payroll Group Insurance Withholding	2,500

The cash 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 7)

SUPPORTING DOCUMENTATION

There was a disbursement of \$500 posted to the appropriation ledger as other police supplies. There was inadequate documentation for this disbursement.

Due to the lack of supporting information, we could not verify the purpose of the disbursement.

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 December 18, 2013, with Marcie L. Conkle, Clerk-Treasurer, and Tonya Hoeffel, Mayor.