

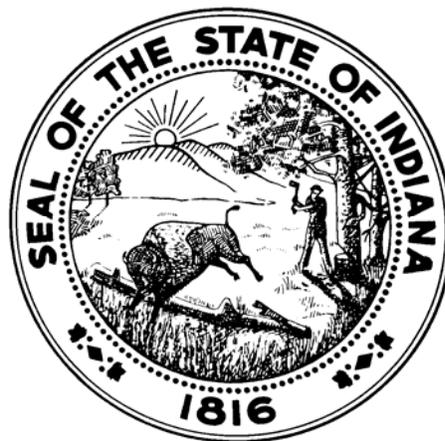
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

CITY OF DECATUR

ADAMS COUNTY, INDIANA



FILED

05/14/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	6
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds.....	7
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	8
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	9
Notes to Financial Statements	10-21
Required Supplementary Information:	
Schedules of Funding Progress.....	22
Schedule of Contributions From the Employer and Other Contributing Entities.....	23
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	24-26
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds.....	27
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	28
Schedule of Capital Assets.....	29
Schedule of Long-Term Debt.....	30
Other report.....	31
Audit Results and Comments:	
Compensation and Benefits.....	32
Accounts Receivable	32
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	34-35
Schedule of Expenditures of Federal Awards.....	36
Notes to Schedule of Expenditures of Federal Awards	37
Schedule of Findings and Questioned Costs.....	38
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	39
Exit Conference.....	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Phyllis J. Whitright	01-01-04 to 12-31-07
Mayor	Fred R. Isch	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Fred R. Isch	01-01-04 to 12-31-07
President of the Common Council	Fred R. Isch	01-01-04 to 12-31-07
Superintendent of Water Utility	James E. Inskeep, Jr.	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Anne L. Butcher	01-01-06 to 12-31-07
Superintendent of Stormwater Utility	Joan A. Eichhorn	01-01-06 to 12-31-07
Utility Office Manager	Robert M. Ladd	01-01-06 to 12-31-07



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 AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF DECATUR, ADAMS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Decatur (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 25, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 25, 2007



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 AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF DECATUR, ADAMS COUNTY, INDIANA

We have audited the financial statements of the City of Decatur (City), as of and for the year ended December 31, 2006, and have issued our report thereon dated April 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the City on April 25, 2007. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 25, 2007

CITY OF DECATUR
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,234,645	\$ 60,948	\$ -	\$ 15,721	\$ (1,157,976)	\$ -	\$ (1,157,976)
Public safety	2,079,760	56,456	21,066	34,039	(1,968,199)	-	(1,968,199)
Highways and streets	965,387	10,951	384,792	111,087	(458,557)	-	(458,557)
Sanitation	267,007	166,076	-	-	(100,931)	-	(100,931)
Health and welfare	2,075,676	-	-	1,843,509	(232,167)	-	(232,167)
Economic development	106,200	404	-	258,358	152,562	-	152,562
Culture and recreation	670,071	97,689	61,342	-	(511,040)	-	(511,040)
Total governmental activities	<u>7,398,746</u>	<u>392,524</u>	<u>467,200</u>	<u>2,262,714</u>	<u>(4,276,308)</u>	<u>-</u>	<u>(4,276,308)</u>
Business-type activities:							
Water	1,478,366	905,848	-	-	-	(572,518)	(572,518)
Wastewater	1,337,631	1,335,700	-	-	-	(1,931)	(1,931)
Storm water	106,389	213,207	-	-	-	106,818	106,818
Total business-type activities	<u>2,922,386</u>	<u>2,454,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(467,631)</u>	<u>(467,631)</u>
Total primary government	<u>\$ 10,321,132</u>	<u>\$ 2,847,279</u>	<u>\$ 467,200</u>	<u>\$ 2,262,714</u>	<u>(4,276,308)</u>	<u>(467,631)</u>	<u>(4,743,939)</u>
General receipts:							
Property taxes					2,942,941	-	2,942,941
Other local sources					819,917	-	819,917
Grants and contributions not restricted to specific programs					95,114	-	95,114
Unrestricted investment earnings					191,305	118,357	309,662
Total general receipts					<u>4,049,277</u>	<u>118,357</u>	<u>4,167,634</u>
Change in net assets					(227,031)	(349,274)	(576,305)
Net assets - beginning					<u>4,917,940</u>	<u>2,350,927</u>	<u>7,268,867</u>
Net assets - ending					<u>\$ 4,690,909</u>	<u>\$ 2,001,653</u>	<u>\$ 6,692,562</u>
<u>Assets</u>							
Cash and investments					\$ 3,834,347	\$ 1,337,532	\$ 5,171,879
Restricted assets:							
Cash and investments					<u>856,562</u>	<u>664,121</u>	<u>1,520,683</u>
Total assets					<u>\$ 4,690,909</u>	<u>\$ 2,001,653</u>	<u>\$ 6,692,562</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 413,093	\$ -	\$ 413,093
Culture and recreation					359,822	-	359,822
Health and welfare					83,647	-	83,647
Debt service					-	359,609	359,609
Other purposes					-	304,512	304,512
Unrestricted					<u>3,834,347</u>	<u>1,337,532</u>	<u>5,171,879</u>
Total net assets					<u>\$ 4,690,909</u>	<u>\$ 2,001,653</u>	<u>\$ 6,692,562</u>

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

CITY OF DECATUR
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Motor Vehicle Highway	Cumulative Capital Development	Economic Development Income Tax	HMGP Flood Grant No. 2	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 1,714,222	\$ 470,625	\$ 196,126	\$ -	\$ -	\$ 561,968	\$ 2,942,941
Licenses and permits	14,924	-	-	-	-	1,690	16,614
Intergovernmental	807,853	384,792	87,432	258,358	1,843,509	215,781	3,597,725
Charges for services	234,450	1,980	-	404	-	102,462	339,296
Fines and forfeits	17,457	-	-	-	-	4,623	22,080
Other	219,325	1,949	19	-	-	31,766	253,059
Total receipts	3,008,231	859,346	283,577	258,762	1,843,509	918,290	7,171,715
Disbursements:							
General government	1,222,775	-	-	-	-	11,870	1,234,645
Public safety	1,666,764	-	-	-	-	42,860	1,709,624
Highways and streets	-	841,022	-	-	-	37,000	878,022
Sanitation	267,007	-	-	-	-	-	267,007
Culture and recreation	-	-	-	-	-	670,071	670,071
Economic development	-	-	-	106,200	-	-	106,200
Capital outlay:							
Public safety	-	-	344,090	-	-	26,046	370,136
Highways and streets	-	-	87,365	-	-	-	87,365
Health and welfare	-	-	-	-	2,071,862	3,814	2,075,676
Total disbursements	3,156,546	841,022	431,455	106,200	2,071,862	791,661	7,398,746
Excess (deficiency) of receipts over disbursements	(148,315)	18,324	(147,878)	152,562	(228,353)	126,629	(227,031)
Other financing sources (uses)							
Transfers in	841	157	88	-	312,000	1,504	314,590
Transfers out	(841)	(157)	(88)	(312,000)	-	(1,504)	(314,590)
Total other financing sources (uses)	-	-	-	(312,000)	312,000	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(148,315)	18,324	(147,878)	(159,438)	83,647	126,629	(227,031)
Cash and investment fund balance - beginning	1,893,498	359,518	729,312	1,355,843	-	579,769	4,917,940
Cash and investment fund balance - ending	\$ 1,745,183	\$ 377,842	\$ 581,434	\$ 1,196,405	\$ 83,647	\$ 706,398	\$ 4,690,909
Cash and Investment Assets - December 31							
Cash and investments	\$ 1,745,183	\$ -	\$ 581,434	\$ 1,196,405	\$ -	\$ 311,325	\$ 3,834,347
Restricted assets:							
Cash and investments	-	377,842	-	-	83,647	395,073	856,562
Total cash and investment assets - December 31	\$ 1,745,183	\$ 377,842	\$ 581,434	\$ 1,196,405	\$ 83,647	\$ 706,398	\$ 4,690,909
Cash and Investment Fund Balance - December 31							
Restricted for:							
Highways and streets	\$ -	\$ 377,842	\$ -	\$ -	\$ -	\$ 35,251	\$ 413,093
Culture and recreation	-	-	-	-	-	359,822	359,822
Health and welfare	-	-	-	-	83,647	-	83,647
Unrestricted	1,745,183	-	581,434	1,196,405	-	311,325	3,834,347
Total cash and investment fund balance - December 31	\$ 1,745,183	\$ 377,842	\$ 581,434	\$ 1,196,405	\$ 83,647	\$ 706,398	\$ 4,690,909

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

CITY OF DECATUR
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Stormwater Utility	Total
Operating receipts:				
Metered water receipts:				
Residential, commercial, industrial	\$ 874,010	\$ -	\$ -	\$ 874,010
Measured revenue:				
Residential, commercial, industrial	-	1,335,562	-	1,335,562
Unmetered storm water receipts	-	-	211,688	211,688
	<u>874,010</u>	<u>1,335,562</u>	<u>211,688</u>	<u>2,421,260</u>
Total operating receipts				
Operating disbursements:				
Source of supply and disbursements - operations and maintenance	111,282	-	-	111,282
Water treatment disbursements - operations and maintenance	385,821	-	-	385,821
Transmission and distribution	210,153	-	-	210,153
Collection system - operations and maintenance	-	37,347	-	37,347
Treatment and disposal disbursements - operations and maintenance	-	473,932	-	473,932
Operations and maintenance	-	-	71,596	71,596
Customer accounts	91,306	59,965	16,613	167,884
Administration and general	166,015	164,591	11,599	342,205
Other	129,735	68,714	-	198,449
Equipment and capital improvements	384,054	86,203	6,581	476,838
	<u>1,478,366</u>	<u>890,752</u>	<u>106,389</u>	<u>2,475,507</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over operating disbursements	<u>(604,356)</u>	<u>444,810</u>	<u>105,299</u>	<u>(54,247)</u>
Nonoperating receipts (disbursements):				
Interest receipts	56,629	56,018	5,710	118,357
Miscellaneous receipts	31,838	138	1,519	33,495
Debt service of principal	-	(238,000)	-	(238,000)
Interest disbursements	-	(208,879)	-	(208,879)
	<u>88,467</u>	<u>(390,723)</u>	<u>7,229</u>	<u>(295,027)</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(515,889)</u>	<u>54,087</u>	<u>112,528</u>	<u>(349,274)</u>
Cash and investment fund balance - beginning	<u>1,283,665</u>	<u>1,006,796</u>	<u>60,466</u>	<u>2,350,927</u>
Cash and investment fund balance - ending	<u>\$ 767,776</u>	<u>\$ 1,060,883</u>	<u>\$ 172,994</u>	<u>\$ 2,001,653</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 527,688	\$ 636,850	\$ 172,994	\$ 1,337,532
Restricted assets:				
Cash and investments	<u>240,088</u>	<u>424,033</u>	<u>-</u>	<u>664,121</u>
Total cash and investment assets - December 31	<u>\$ 767,776</u>	<u>\$ 1,060,883</u>	<u>\$ 172,994</u>	<u>\$ 2,001,653</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ 359,609	\$ -	\$ 359,609
Other purposes	240,088	64,424	-	304,512
Unrestricted	<u>527,688</u>	<u>636,850</u>	<u>172,994</u>	<u>1,337,532</u>
Total cash and investment fund balance - December 31	<u>\$ 767,776</u>	<u>\$ 1,060,883</u>	<u>\$ 172,994</u>	<u>\$ 2,001,653</u>

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

CITY OF DECATUR
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 129,331	\$ -	\$ -
Plan members	4,438	-	-
State	324,133	-	-
Other	-	3,601	-
	<u>457,902</u>	<u>3,601</u>	<u>-</u>
Total contributions			
Investment earnings:			
Interest	59,575	-	-
	<u>59,575</u>	<u>-</u>	<u>-</u>
Agency fund additions	-	-	4,481,479
	<u>-</u>	<u>-</u>	<u>4,481,479</u>
Total additions	<u>517,477</u>	<u>3,601</u>	<u>4,481,479</u>
Deductions:			
Benefits	372,990	-	-
Administrative and general	255	-	-
Other	-	3,661	-
Agency fund deductions	-	-	4,476,589
	<u>373,245</u>	<u>3,661</u>	<u>4,476,589</u>
Total deductions			
Excess (deficiency) of total additions over total deductions	144,232	(60)	4,890
Cash and investment fund balance - beginning	<u>961,380</u>	<u>3,496</u>	<u>49,864</u>
Cash and investment fund balance - ending	<u>\$ 1,105,612</u>	<u>\$ 3,436</u>	<u>\$ 54,754</u>

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

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, and urban redevelopment and housing.

These financial statements present the City (primary government). There are no significant component units which require inclusion.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts for the City's allocation of collections by the state for certain taxes, duties, and fees on motor vehicles, trailers, motor vehicle fuel or motor vehicle owners or operators. This fund is used for construction, repairs, maintenance, and related expenditures for highways and streets.

The cumulative capital development fund accounts for local tax resources of the City that are used for capital outlay expenditures.

The economic development income tax fund accounts for the City's allocation of the county economic development income tax of the City. This fund is used for expenditures related to economic development projects.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

The HMGP Flood Grant No. 2 fund accounts for federal, State and local funding that is used for the purchase and demolition of flood related properties.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

The stormwater utility fund accounts for the operation of the stormwater collection system.

Additionally, the City reports the following fund types:

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust funds report a trust arrangement under which principal and income benefit the citizens of the City.

Agency funds account for assets held by the City as an agent for the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The City does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006
Operation Pull Over	\$ 25
RTP Grant	895
EAB Grant	24,887

Cash and investment deficits arose primarily from disbursements exceeding receipts due to grant expenditures being paid before the grant funds were received.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>
General Fund	Other governmental funds	\$ 841
Economic Development Income Tax Fund	HMGP Flood Grant No. 2 Fund	312,000
Motor Vehicle Highway Fund	Other governmental funds	157
Cumulative Capital Development Fund	Other governmental funds	88
Other governmental funds	General Fund	841
Other governmental funds	Motor Vehicle Highway Fund	157
Other governmental funds	Cumulative Capital Development Fund	88
Other governmental funds	Other governmental funds	418
Total		<u>\$ 314,590</u>

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

Job Related Illnesses or Injuries to Employees

During 2001, the City joined the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The City pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Subsequent Events

The water utility borrowed \$1,950,000 in 2007 to finance the construction of a water tower and the renovation of two other water towers. The City also increased water utility rates by approximately 53% to pay for the construction.

C. Rate Structure – Enterprise Funds

Water Utility

On June 5, 1990, the City Council adopted Ordinance No. 1990-3 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the City Council on February 20, 2007.

Wastewater Utility

The current rate structure was approved by the City Council on June 15, 2004.

Stormwater Utility

The current rate structure was approved by the City Council on July 20, 2004.

D. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. 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 the 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 member's 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.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which 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 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 and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The 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.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Annual required contribution	\$ 87,575	\$ 539,200	\$ 265,200
Interest on net pension obligation	(1,722)	94,500	51,100
Adjustment to annual required contribution	<u>1,963</u>	<u>(157,600)</u>	<u>(89,200)</u>
Annual pension cost	87,816	476,100	227,100
Contributions made	<u>115,071</u>	<u>325,279</u>	<u>89,918</u>
Increase (decrease) in net pension obligation	(27,255)	150,821	137,182
Net pension obligation, beginning of year	<u>(23,755)</u>	<u>1,399,895</u>	<u>756,521</u>
Net pension obligation, end of year	<u>\$ (51,010)</u>	<u>\$ 1,550,716</u>	<u>\$ 893,703</u>

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	7.25%	1,481%	369%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-04	01-01-05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

*2.75% converted members; 4% nonconverted members.

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 123,863	77%	\$ (14,794)
	06-30-04	100,014	109%	(23,755)
	06-30-05	87,816	115%	(51,010)
1925 Police Officers' Pension Plan	12-31-01	474,200	49%	1,415,612
	12-31-02	442,700	104%	1,399,895
	12-31-03	476,100	68%	1,550,716
1937 Firefighters' Pension Plan	12-31-02	197,600	76%	652,112
	12-31-03	211,500	51%	756,521
	12-31-04	227,100	40%	893,703

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, was comprised of the following:

	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Retirees and beneficiaries currently receiving benefits	15	7
Current active employees	1	1

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) 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 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004 were \$182,427, \$180,992, and \$175,729, respectively, equal to the required contributions for each year.

CITY OF DECATUR
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,835,402	\$ 2,302,721	\$ (467,319)	80%	\$ 1,531,847	(31%)
07-01-04	1,874,373	2,159,695	(285,322)	87%	1,472,068	(19%)
07-01-05	1,965,275	2,232,834	(267,559)	88%	1,525,917	(18%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-99	\$ 138,966	\$ 4,818,900	\$ (4,679,934)	3%	\$ 59,700	(7,839%)
01-01-00	146,131	5,009,600	(4,863,469)	3%	31,100	(15,638%)
01-01-01	198,779	5,035,300	(4,836,521)	4%	32,000	(15,114%)
01-01-02	203,250	4,689,300	(4,486,050)	4%	33,100	(13,553%)
01-01-03	432,179	4,536,500	(4,104,321)	10%	34,200	(12,001%)
01-01-04	506,513	5,017,800	(4,511,287)	10%	36,400	(12,394%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 139,276	\$ 1,966,500	\$ (1,827,224)	7%	\$ 62,100	(2,942%)
01-01-01	201,070	1,918,500	(1,717,430)	10%	64,000	(2,683%)
01-01-02	216,799	1,958,300	(1,741,501)	11%	66,200	(2,631%)
01-01-03	296,946	1,997,800	(1,700,854)	15%	68,400	(2,487%)
01-01-04	331,286	2,149,500	(1,818,214)	15%	72,800	(2,498%)
01-01-05	320,376	2,055,400	(1,735,024)	16%	71,800	(2,416%)

CITY OF DECATUR
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	<u>Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
1925 Police Officers' Pension Plan	12-31-98	\$ 479,200	44%
	12-31-99	476,000	44%
	12-31-00	498,300	54%
	12-31-01	517,100	45%
	12-31-02	500,100	92%
	12-31-03	539,200	60%
1937 Firefighters' Pension Plan	12-31-99	\$ 197,900	41%
	12-31-00	208,300	58%
	12-31-01	210,600	37%
	12-31-02	222,200	68%
	12-31-03	240,900	44%
	12-31-04	265,200	34%

CITY OF DECATUR
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	Local Road and Street	Local Law Enforcement Continuing Education	Park and Recreation	Park Nonreverting	Fire Report	Police Nonreverting	K-9	Operation Pull Over
Receipts:								
Taxes	\$ -	\$ -	\$ 561,968	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	1,690	-	-	-	-	-	-
Intergovernmental	39,376	-	45,152	-	-	645	-	2,475
Charges for services	-	2,712	90,693	3,203	54	4,000	-	-
Fines and forfeits	-	4,623	-	-	-	-	-	-
Other	7,056	-	21,140	-	-	159	50	-
Total receipts	46,432	9,025	718,953	3,203	54	4,804	50	2,475
Disbursements:								
General government	-	-	-	-	-	-	-	-
Public safety	-	13,990	-	-	-	6,656	192	2,586
Highways and streets	37,000	-	-	-	-	-	-	-
Culture and recreation	-	-	620,457	3,094	-	-	-	-
Capital outlay:								
Public safety	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Total disbursements	37,000	13,990	620,457	3,094	-	6,656	192	2,586
Excess (deficiency) of receipts over disbursements	9,432	(4,965)	98,496	109	54	(1,852)	(142)	(111)
Other financing sources (uses)								
Transfers in	-	-	209	-	-	-	-	-
Transfers out	-	-	(209)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,432	(4,965)	98,496	109	54	(1,852)	(142)	(111)
Cash and investment fund balance - beginning	25,819	13,975	276,367	3,598	351	6,144	394	86
Cash and investment fund balance - ending	\$ 35,251	\$ 9,010	\$ 374,863	\$ 3,707	\$ 405	\$ 4,292	\$ 252	\$ (25)
Cash and Investment Assets - December 31								
Cash and investments	\$ -	\$ 9,010	\$ -	\$ -	\$ 405	\$ 4,292	\$ 252	\$ (25)
Restricted assets:								
Cash and investments	35,251	-	374,863	3,707	-	-	-	-
Total cash and investment assets - December 31	\$ 35,251	\$ 9,010	\$ 374,863	\$ 3,707	\$ 405	\$ 4,292	\$ 252	\$ (25)
Cash and Investment Fund Balance - December 31								
Restricted for:								
Highways and streets	\$ 35,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	374,863	3,707	-	-	-	-
Unrestricted	-	9,010	-	-	405	4,292	252	(25)
Total cash and investment fund balance - December 31	\$ 35,251	\$ 9,010	\$ 374,863	\$ 3,707	\$ 405	\$ 4,292	\$ 252	\$ (25)

CITY OF DECATUR
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Trees New Construction	Domestic Violence Grant	Victims Domestic Violence	Water Rescue Unit	Deferral Program	Riverboat Gambling	SAAC Grant
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	13,190	11,790	5,135	-	-	59,958	1,021
Charges for services	1,800	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	-	-	231	-	-
Total receipts	14,990	11,790	5,135	-	231	59,958	1,021
Disbursements:							
General government	-	-	-	-	-	11,815	-
Public safety	-	11,790	5,135	-	-	-	1,021
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	17,738	-	-	-	-	-	-
Capital outlay:							
Public safety	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Total disbursements	17,738	11,790	5,135	-	-	11,815	1,021
Excess (deficiency) of receipts over disbursements	(2,748)	-	-	-	231	48,143	-
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,748)	-	-	-	231	48,143	-
Cash and investment fund balance - beginning	9,782	-	-	2,565	386	78,713	-
Cash and investment fund balance - ending	\$ 7,034	\$ -	\$ -	\$ 2,565	\$ 617	\$ 126,856	\$ -
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ 2,565	\$ 617	\$ 126,856	\$ -
Restricted assets:							
Cash and investments	7,034	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ 7,034	\$ -	\$ -	\$ 2,565	\$ 617	\$ 126,856	\$ -
Cash and Investment Fund Balance - December 31							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	7,034	-	-	-	-	-	-
Unrestricted	-	-	-	2,565	617	126,856	-
Total cash and investment fund balance - December 31	\$ 7,034	\$ -	\$ -	\$ 2,565	\$ 617	\$ 126,856	\$ -

CITY OF DECATUR
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Levy Excess	Fire Nonreverting	RTP Grant	EAB Grant	Cumulative Capital Improvement	HMGP Federal Flood	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 561,968
Licenses and permits	-	-	-	-	-	-	1,690
Intergovernmental	-	-	3,000	-	34,039	-	215,781
Charges for services	-	-	-	-	-	-	102,462
Fines and forfeits	-	-	-	-	-	-	4,623
Other	55	3,075	-	-	-	-	31,766
Total receipts	55	3,075	3,000	-	34,039	-	918,290
Disbursements:							
General government	55	-	-	-	-	-	11,870
Public safety	-	1,490	-	-	-	-	42,860
Highways and streets	-	-	-	-	-	-	37,000
Culture and recreation	-	-	3,895	24,887	-	-	670,071
Capital outlay:							
Public safety	-	-	-	-	26,046	-	26,046
Health and welfare	-	-	-	-	-	3,814	3,814
Total disbursements	55	1,490	3,895	24,887	26,046	3,814	791,661
Excess (deficiency) of receipts over disbursements	-	1,585	(895)	(24,887)	7,993	(3,814)	126,629
Other financing sources (uses)							
Transfers in	1,295	-	-	-	-	-	1,504
Transfers out	(1,295)	-	-	-	-	-	(1,504)
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,585	(895)	(24,887)	7,993	(3,814)	126,629
Cash and investment fund balance - beginning	-	-	-	-	157,775	3,814	579,769
Cash and investment fund balance - ending	\$ -	\$ 1,585	\$ (895)	\$ (24,887)	\$ 165,768	\$ -	\$ 706,398
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ 1,585	\$ -	\$ -	\$ 165,768	\$ -	\$ 311,325
Restricted assets:							
Cash and investments	-	-	(895)	(24,887)	-	-	395,073
Total cash and investment assets - December 31	\$ -	\$ 1,585	\$ (895)	\$ (24,887)	\$ 165,768	\$ -	\$ 706,398
Cash and Investment Fund Balance - December 31							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,251
Culture and recreation	-	-	(895)	(24,887)	-	-	359,822
Unrestricted	-	1,585	-	-	165,768	-	311,325
Total cash and investment fund balance - December 31	\$ -	\$ 1,585	\$ (895)	\$ (24,887)	\$ 165,768	\$ -	\$ 706,398

CITY OF DECATUR
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2006

	Police Pension	Firefighters' Pension	Police DROP Program	Firefighters' DROP Program	Total
Additions:					
Contributions:					
Employer	\$ 90,935	\$ 38,396	\$ -	\$ -	\$ 129,331
Plan members	2,219	2,219	-	-	4,438
State	219,586	104,547	-	-	324,133
Total contributions	<u>312,740</u>	<u>145,162</u>	<u>-</u>	<u>-</u>	<u>457,902</u>
Investment receipts:					
Interest	32,019	27,556	-	-	59,575
Total additions	<u>344,759</u>	<u>172,718</u>	<u>-</u>	<u>-</u>	<u>517,477</u>
Deductions:					
Benefits	255,154	117,836	-	-	372,990
Administrative and general	145	110	-	-	255
Total deductions	<u>255,299</u>	<u>117,946</u>	<u>-</u>	<u>-</u>	<u>373,245</u>
Excess of total additions over total deductions	<u>89,460</u>	<u>54,772</u>	<u>-</u>	<u>-</u>	<u>144,232</u>
Other financing sources (uses)					
Transfers in	61,810	-	5,298	25,226	92,334
Transfers out	(5,298)	(25,226)	(61,810)	-	(92,334)
Total other financing sources (uses)	<u>56,512</u>	<u>(25,226)</u>	<u>(56,512)</u>	<u>25,226</u>	<u>-</u>
Excess (deficiency) of additions and other financing sources over deductions and other financing uses	145,972	29,546	(56,512)	25,226	144,232
Cash and investment fund balance - beginning	<u>562,932</u>	<u>291,486</u>	<u>56,512</u>	<u>50,450</u>	<u>961,380</u>
Cash and investment fund balance - ending	<u>\$ 708,904</u>	<u>\$ 321,032</u>	<u>\$ -</u>	<u>\$ 75,676</u>	<u>\$ 1,105,612</u>

CITY OF DECATUR
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2006

	<u>Park Donation</u>	<u>Police DARE</u>	<u>Total</u>
Additions:			
Contributions:			
Other	\$ 2,391	\$ 1,210	\$ 3,601
Total additions	<u>2,391</u>	<u>1,210</u>	<u>3,601</u>
Deductions:			
Other	<u>1,539</u>	<u>2,122</u>	<u>3,661</u>
Total deductions	<u>1,539</u>	<u>2,122</u>	<u>3,661</u>
Excess (deficiency) of total additions over total deductions	852	(912)	(60)
Cash and investment fund balance - beginning	<u>2,583</u>	<u>913</u>	<u>3,496</u>
Cash and investment fund balance - ending	<u>\$ 3,435</u>	<u>\$ 1</u>	<u>\$ 3,436</u>

CITY OF DECATUR
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

December 31, 2006

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 two years have been reported. Retroactive reporting of general infrastructure is not required.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,589,037
Infrastructure	3,216,331
Buildings	1,502,574
Improvements other than buildings	597,575
Machinery and equipment	<u>4,459,146</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 13,364,663</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 179,724
Construction in progress	106,953
Capital assets, being depreciated:	
Buildings	425,587
Improvements other than buildings	3,890,285
Machinery and equipment	<u>1,479,920</u>
 Total Water Utility capital assets	 <u>6,082,469</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	15,390
Capital assets, being depreciated:	
Buildings	5,106,862
Improvements other than buildings	16,076,487
Machinery and equipment	<u>3,541,778</u>
 Total Wastewater Utility capital assets	 <u>24,740,517</u>
 Storm Water Utility:	
Capital assets, being depreciated:	
Machinery and equipment	<u>45,932</u>
 Total Storm Water Utility capital assets	 <u>45,932</u>
 Total business-type activities capital assets	 <u>\$ 30,868,918</u>

CITY OF DECATUR
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable:		
Land contract	<u>\$ 286,480</u>	<u>\$ 38,316</u>
Business-type Activities:		
Wastewater Utility		
Loan payable:		
State revolving fund loan	<u>\$ 5,662,000</u>	<u>\$ 122,000</u>

CITY OF DECATUR
OTHER REPORT

The annual report presented herein was prepared in addition to the other official report prepared for the individual City office listed below:

Municipal Utilities

CITY OF DECATUR
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Additional compensation time is allowed for police officers who work a holiday. For each eight hour holiday a police officer works, they are allowed an additional four hours compensation time to be taken. The compensation time must be taken within 30 days or it is lost. This compensation time policy is handled by the police department and is not addressed in the personnel policy manual. Compensation time records are maintained by the shift sergeant and are not recorded through the payroll record system.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACCOUNTS RECEIVABLE

Accounts receivable as reported in the general ledger did not agree with the aged trial balance. At year end, adjustments were made to the general ledger to agree with the detail aged trial balance. The accounts receivable balance in the general ledger for the Water Utility was decreased by \$17,710; for the Wastewater Utility it was increased by \$11,191; and for the Storm Water Utility it was increased by \$3,119.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF DECATUR, ADAMS COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Decatur (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2006. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 25, 2007

CITY OF DECATUR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Natural Resources Urban and Community Forestry Program	10.675		\$ 24,887
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575		
		05VA004	8,000
		06VA003	3,690
Total for program			11,690
Violence Against Women Formula Grants	16.588		
		05ST002	3,000
		06ST002	2,135
Total for program			5,135
Total for federal grantor agency			16,825
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	OP-06-02-03-01	2,475
Pass-Through Indiana Department of Natural Resources Recreational Trails Program	20.219	RT-05-004	3,895
Total for federal grantor agency			6,370
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 182397-01	11,235
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Hazard Mitigation Grant	97.039	DR-1573-IN	1,553,896
Total federal awards expended			\$ 1,613,213

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF DECATUR
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Decatur (City) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2006:

Program Title	Federal CFDA Number	2006
Crime Victim Assistance	16.575	\$ 11,690
Violence Against Women Formula Grants	16.588	5,135

CITY OF DECATUR
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
97.039	Hazard Mitigation Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF DECATUR
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF DECATUR
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2007, with Phyllis J. Whitright, Clerk-Treasurer; Fred R. Isch, Mayor; and Robert M. Ladd, Utility Office Manager.