

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

EXAMINATION REPORT

OF

CITY OF DECATUR

ADAMS COUNTY, INDIANA

January 1, 2007 to December 31, 2007



**FILED**  
10/30/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Phyllis J. Whitright	01-01-04 to 12-31-11
Mayor	Fred R. Isch John L. Schultz	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Fred R. Isch John L. Schultz	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	Fred R. Isch John L. Schultz	01-01-04 to 12-31-07 01-01-08 to 12-31-11
Superintendent of Water Utility	James E. Inskeep, Jr.	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	Anne L. Butcher	01-01-07 to 12-31-08
Superintendent of Storm Water Utility	Joan A. Eichhorn	01-01-07 to 12-31-08
Utility Office Manager	Robert M. Ladd	01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the City of Decatur (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 25, 2008

CITY OF DECATUR  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,745,183	\$ 3,375,370	\$ 3,334,004	\$ 1,786,549
Motor Vehicle Highway	377,842	783,822	867,947	293,717
Local Road and Street	35,251	39,697	33,000	41,948
Law Enforcement Continuing Education	9,010	5,387	4,473	9,924
Park and Recreation	374,863	520,086	631,308	263,641
Park Nonreverting	3,707	5,054	3,683	5,078
Fire Report	405	61	27	439
Police Nonreverting	4,292	4,418	3,295	5,415
K-9	252	-	-	252
Operation Pull Over	(25)	3,875	3,862	(12)
Trees New Construction	7,034	4,500	3,020	8,514
Water Rescue Unit	2,565	-	2,173	392
Deferral Program	617	96	-	713
Riverboat	126,856	60,081	5,496	181,441
Fire Nonreverting	1,585	7,800	7,706	1,679
RTP Grant	(895)	150,000	146,393	2,712
EAB Grant	(24,887)	24,887	-	-
Cumulative Capital Improvement	165,768	33,466	27,416	171,818
Cumulative Capital Development	581,434	197,616	301,773	477,277
Economic Development Income Tax	1,196,405	248,748	115,815	1,329,338
HMGP Flood Grant #2	83,647	177,981	126,512	135,116
Proprietary Funds:				
Water Utility - Operating	527,688	1,310,929	1,402,611	436,006
Water Utility - Bond and Interest Sinking	-	97,230	97,230	-
Water Utility - Bond and Interest Reserve	-	11,576	-	11,576
Water Utility - Depreciation	240,088	-	-	240,088
Water Utility - Construction	-	1,930,500	1,055,666	874,834
Wastewater Utility - Operating	636,850	1,443,470	1,815,172	265,148
Wastewater Utility - Bond and Interest Sinking	132,574	447,652	447,516	132,710
Wastewater Utility - Bond and Interest Reserve	227,035	89,074	-	316,109
Wastewater Utility - Depreciation	64,424	-	-	64,424
Storm Water Utility - Operating	172,994	218,819	99,431	292,382
Fiduciary Funds:				
Police Officers' Pension	708,904	182,757	264,469	627,192
Firefighters' Pension	321,032	128,948	146,210	303,770
Firefighters' DROP Program	75,676	-	75,676	-
Park Donation	3,435	1,094	1,102	3,427
Police DARE	1	2,601	1,207	1,395
Payroll	54,754	4,712,257	4,715,200	51,811
Totals	<u>\$ 7,856,364</u>	<u>\$ 16,219,852</u>	<u>\$ 15,739,393</u>	<u>\$ 8,336,823</u>

The accompanying notes are an integral part of the financial information.

CITY OF DECATUR  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety (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.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF DECATUR  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plans

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

1. Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

2. 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.

CITY OF DECATUR  
NOTES TO FINANCIAL INFORMATION  
(Continued)

3. 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.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

B. 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  
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Note 7. Subsequent Event

The Wastewater Utility entered into a \$9,276,000 State Revolving Fund Loan dated June 30, 2008. The purpose of the loan is for wastewater treatment plant improvements.

CITY OF DECATUR  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2007

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 4,245,117
Infrastructure	3,380,968
Buildings	1,502,574
Improvements other than buildings	605,760
Machinery and equipment	<u>4,618,182</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 14,352,601</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 179,724
Capital assets, being depreciated:	
Buildings	425,587
Improvements other than buildings	5,088,520
Machinery and equipment	<u>1,496,805</u>
Total Water Utility capital assets	<u>7,190,636</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	15,390
Construction in progress	418,819
Capital assets, being depreciated:	
Buildings	5,446,888
Improvements other than buildings	13,542,042
Machinery and equipment	<u>5,753,597</u>
Total Wastewater Utility capital assets	<u>25,176,736</u>
Storm Water Utility:	
Capital assets, being depreciated:	
Machinery and equipment	<u>47,566</u>
Total business-type activities capital assets	<u>\$ 32,414,938</u>

CITY OF DECATUR  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Notes and loans payable:		
Land contract	\$ 248,164	\$ 51,831
Building loan	275,000	99,852
Total governmental activities debt	\$ 523,164	\$ 151,683
Business-type Activities:		
Water Utility		
Revenue bonds:		
2007 Water tower construction and renovation	\$ 1,920,000	\$ 71,675
Wastewater Utility		
Loan payable:		
State revolving fund loan	5,415,000	223,929
Total business-type activities debt	\$ 7,335,000	\$ 295,604

CITY OF DECATUR  
EXAMINATION RESULT AND COMMENT

OVERPAYMENTS

Pension overpayments totaling \$970 during 2007, and \$583 through July 2008, were made to a retired firefighter. The Clerk-Treasurer and pensioner have agreed to refund the overpayments of \$1,553 through reductions of future pension payments.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF DECATUR  
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2008, with Phyllis J. Whitright, Clerk-Treasurer; John L. Schultz, Mayor; Robert M. Ladd, Utility Office Manager; and Fred R. Isch, former Mayor.