

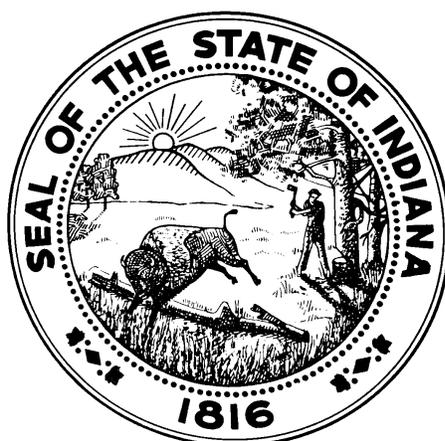
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF DECATUR MUNICIPAL UTILITIES

ADAMS COUNTY, INDIANA



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
Utility Office Manager	Robert M. Ladd	01-01-07 to 12-31-08
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 E. Eichhorn	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
MUNICIPAL UTILITIES, ADAMS COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the City of Decatur Municipal Utilities (Utilities), departments of the City of Decatur, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Utilities' management. 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.

As discussed in Note I, the financial statements of the Utilities are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Decatur as of December 31, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with 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 financial position of the business-type activities of the Utilities as of December 31, 2007 and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 examine the information and express no opinion on it.

The Utilities have not presented Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

September 25, 2008

CITY OF DECATUR MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2007

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Current assets:			
Cash and cash equivalents	\$ 436,006	\$ 265,148	\$ 292,382
Interest receivable	5,262	3,480	892
Accounts receivable (net of allowance)	85,690	124,266	16,514
Accounts receivable - other	12,375	4,017	-
Inventories	<u>57,211</u>	<u>-</u>	<u>-</u>
Total current assets	<u>596,544</u>	<u>396,911</u>	<u>309,788</u>
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	240,088	64,424	-
Bond and interest cash and investments	-	132,710	-
Debt service reserve cash and investments	11,576	316,108	-
Construction cash and investments	<u>874,834</u>	<u>-</u>	<u>-</u>
Total restricted assets	<u>1,126,498</u>	<u>513,242</u>	<u>-</u>
Deferred charges	<u>84,065</u>	<u>69,339</u>	<u>-</u>
Capital assets:			
Land, improvements to land and construction in progress	179,724	434,209	-
Other capital assets (net of accumulated depreciation)	<u>4,474,615</u>	<u>17,276,725</u>	<u>14,762</u>
Total capital assets	<u>4,654,339</u>	<u>17,710,934</u>	<u>14,762</u>
Total noncurrent assets	<u>5,864,902</u>	<u>18,293,515</u>	<u>14,762</u>
Total assets	<u>6,461,446</u>	<u>18,690,426</u>	<u>324,550</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	89,613	112,354	7,265
Accrued wages payable	7,271	6,906	1,085
Contracts payable	-	21,555	-
Taxes payable	8,073	-	-
Current liabilities payable from restricted assets:			
Loan payable	-	127,000	-
Revenue bonds payable	<u>30,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>134,957</u>	<u>267,815</u>	<u>8,350</u>
Noncurrent liabilities:			
Revenue bonds payable	1,890,000	-	-
Loan payable	-	5,288,000	-
Compensated absences	<u>21,153</u>	<u>20,654</u>	<u>490</u>
Total noncurrent liabilities	<u>1,911,153</u>	<u>5,308,654</u>	<u>490</u>
Total liabilities	<u>2,046,110</u>	<u>5,576,469</u>	<u>8,840</u>
<u>Net Assets</u>			
Invested in capital assets, net of related debt	2,734,339	12,295,934	14,762
Restricted for debt service	11,576	448,818	-
Restricted for other purposes	1,114,922	64,424	-
Unrestricted	<u>554,499</u>	<u>304,781</u>	<u>300,948</u>
Total net assets	<u>\$ 4,415,336</u>	<u>\$ 13,113,957</u>	<u>\$ 315,710</u>

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

CITY OF DECATUR MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Operating revenues:			
Measured revenue:			
Residential, commercial and industrial	\$ 1,043,973	\$ 1,342,517	\$ -
Fire protection revenue	111,526	-	-
Penalties	6,371	22,375	1,985
Flat rate revenues	-	-	203,152
Other	<u>46,703</u>	<u>21,647</u>	<u>289</u>
Total operating revenues	<u>1,208,573</u>	<u>1,386,539</u>	<u>205,426</u>
Operating expenses:			
Source of supply and expense - operations and maintenance	79,367	-	-
Water treatment expense - operations and maintenance	475,857	-	-
Transmission and distribution	355,356	-	-
Collection system - operations and maintenance	-	72,319	-
Treatment and disposal - operations and maintenance	-	657,347	-
Operations and maintenance	-	-	67,220
Customer accounts	136,943	94,829	19,573
Administration and general	107,774	106,813	18,645
Depreciation	<u>144,532</u>	<u>494,703</u>	<u>7,107</u>
Total operating expenses	<u>1,299,829</u>	<u>1,426,011</u>	<u>112,545</u>
Operating income (loss)	<u>(91,256)</u>	<u>(39,472)</u>	<u>92,881</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	34,388	58,219	11,545
Miscellaneous revenue	-	676	-
Interest expense	-	(200,516)	-
Miscellaneous expense	<u>(3,275)</u>	<u>(4,334)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>31,113</u>	<u>(145,955)</u>	<u>11,545</u>
Income (loss) before contributions	(60,143)	(185,427)	104,426
Capital contributions	<u>-</u>	<u>5,496</u>	<u>-</u>
Change in net assets	(60,143)	(179,931)	104,426
Total net assets - beginning	<u>4,475,479</u>	<u>13,293,888</u>	<u>211,284</u>
Total net assets - ending	<u>\$ 4,415,336</u>	<u>\$ 13,113,957</u>	<u>\$ 315,710</u>

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

CITY OF DECATUR MUNICIPAL UTILITIES
STATEMENT OF CASH FLOWS
As Of And For The Year Ended December 31, 2007

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,174,514	\$ 1,392,315	\$ 207,383
Payments to suppliers and contractors	(630,567)	(402,616)	(32,997)
Payments to employees	<u>(494,403)</u>	<u>(433,470)</u>	<u>(65,685)</u>
Net cash provided by operating activities	<u>49,544</u>	<u>556,229</u>	<u>108,701</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	1,930,500	-	-
Acquisition and construction of capital assets	(1,109,316)	(451,774)	(749)
Principal paid on capital debt	(30,000)	(247,000)	-
Interest paid on capital debt	(67,230)	(200,516)	-
Bond issue costs	(67,840)	-	-
Proceeds from sales of capital assets	<u>-</u>	<u>150</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>656,114</u>	<u>(899,140)</u>	<u>(749)</u>
Cash flows from investing activities:			
Interest received	<u>89,070</u>	<u>60,418</u>	<u>11,436</u>
Net increase (decrease) in cash and cash equivalents	794,728	(282,493)	119,388
Cash and cash equivalents, January 1	<u>767,776</u>	<u>1,060,883</u>	<u>172,994</u>
Cash and cash equivalents, December 31	<u>\$ 1,562,504</u>	<u>\$ 778,390</u>	<u>\$ 292,382</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	<u>\$ (91,256)</u>	<u>\$ (39,472)</u>	<u>\$ 92,881</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	144,532	494,703	7,107
(Increase) decrease in assets:			
Accounts receivable - customers	(32,493)	5,566	1,957
Accounts receivable - other	(1,566)	210	-
Inventories	9,588	-	-
Prepaid items	14,989	8,461	724
Increase (decrease) in liabilities:			
Accounts payable	1,382	84,071	4,457
Accrued wages payable	340	510	1,085
Taxes payable	2,730	-	-
Compensated absence payable	<u>1,298</u>	<u>2,180</u>	<u>490</u>
Total adjustments	<u>140,800</u>	<u>595,701</u>	<u>15,820</u>
Net cash provided by operating activities	<u>\$ 49,544</u>	<u>\$ 556,229</u>	<u>\$ 108,701</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through capitalized debt interest	\$ 11,286	\$ -	\$ -
Purchase of equipment on account	12,174	24,791	885

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

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Decatur Municipal Utilities and are not intended to present fairly the position of the City of Decatur (City). The Utilities, whose operations are controlled by the City, represent all of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities 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.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method.

CITY OF DECATUR MUNICIPAL UTILITIES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 500	Straight-line	50 years
Improvements other than buildings	500	Straight-line	10 to 100 years
Machinery and equipment	500	Straight-line	5 to 20 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Utilities during the current year was \$267,746. Of the amount, \$67,230 was included as part of the cost of capital assets under construction in connection with the water tank projects.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated to a maximum of 200 days. A percentage of accumulated sick leave, based upon the number of years of service, is paid to employees through cash payments upon termination.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

Sick leave is accrued when incurred.

No liability is reported for vacation leave.

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 179,724	\$ -	\$ -	\$ 179,724
Construction in progress	<u>106,953</u>	<u>1,016,260</u>	<u>1,123,213</u>	<u>-</u>
Total capital assets, not being depreciated	<u>286,677</u>	<u>1,016,260</u>	<u>1,123,213</u>	<u>179,724</u>
Capital assets, being depreciated:				
Buildings	425,587	-	-	425,587
Improvements other than buildings	3,890,285	1,209,335	11,100	5,088,520
Machinery and equipment	<u>1,479,920</u>	<u>30,394</u>	<u>13,509</u>	<u>1,496,805</u>
Totals	<u>5,795,792</u>	<u>1,239,729</u>	<u>24,609</u>	<u>7,010,912</u>
Less accumulated depreciation for:				
Buildings	271,577	9,116	-	280,693
Improvements other than buildings	1,488,154	67,199	11,500	1,548,853
Machinery and equipment	<u>656,643</u>	<u>68,217</u>	<u>13,109</u>	<u>711,751</u>
Totals	<u>2,416,374</u>	<u>144,532</u>	<u>24,609</u>	<u>2,536,297</u>
Total capital assets, being depreciated, net	<u>3,379,418</u>	<u>1,095,197</u>	<u>-</u>	<u>4,474,615</u>
Total Water Utility capital assets, net	<u>\$ 3,666,095</u>	<u>\$ 2,111,457</u>	<u>\$ 1,123,213</u>	<u>\$ 4,654,339</u>

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 15,390	\$ -	\$ -	\$ 15,390
Construction in progress	<u>-</u>	<u>418,819</u>	<u>-</u>	<u>418,819</u>
Total capital assets, not being depreciated	<u>15,390</u>	<u>418,819</u>	<u>-</u>	<u>434,209</u>
Capital assets, being depreciated:				
Buildings	5,442,763	4,125	-	5,446,888
Improvements other than buildings	13,530,275	11,767	-	13,542,042
Machinery and equipment	<u>5,752,089</u>	<u>47,350</u>	<u>45,842</u>	<u>5,753,597</u>
Totals	<u>24,725,127</u>	<u>63,242</u>	<u>45,842</u>	<u>24,742,527</u>
Less accumulated depreciation for:				
Buildings	2,205,492	118,614	-	2,324,106
Improvements other than buildings	1,997,646	135,365	-	2,133,011
Machinery and equipment	<u>2,814,329</u>	<u>240,724</u>	<u>46,368</u>	<u>3,008,685</u>
Totals	<u>7,017,467</u>	<u>494,703</u>	<u>46,368</u>	<u>7,465,802</u>
Total capital assets, being depreciated, net	<u>17,707,660</u>	<u>(431,461)</u>	<u>(526)</u>	<u>17,276,725</u>
Total Wastewater Utility capital assets, net	<u>\$ 17,723,050</u>	<u>\$ (12,642)</u>	<u>\$ (526)</u>	<u>\$ 17,710,934</u>
Storm Water Utility:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 45,932	\$ 1,634	\$ -	\$ 47,566
Less accumulated depreciation for:				
Machinery and equipment	<u>25,697</u>	<u>7,107</u>	<u>-</u>	<u>32,804</u>
Total Storm Water Utility capital assets, net	<u>\$ 20,235</u>	<u>\$ (5,473)</u>	<u>\$ -</u>	<u>\$ 14,762</u>

Depreciation expense was charged to functions/programs of the Utilities as follows:

Water	\$ 144,532
Wastewater	494,703
Storm Water	<u>7,107</u>
Total depreciation expense	<u>\$ 646,342</u>

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Wastewater Utility:				
Improvement project engineering	\$ 1,018,298	\$ 418,819	\$ 599,479	\$ -

D. Long-Term Liabilities

1. Revenue Bonds

The Utility issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
2007 Water tower construction and renovation	4.25% to 4.50%	\$ 1,920,000

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility	
	Principal	Interest
2008	\$ 30,000	\$ 41,675
2009	60,000	81,438
2010	70,000	78,781
2011	70,000	75,806
2012	70,000	72,831
2013-2017	410,000	315,387
2018-2022	505,000	219,458
2023-2027	635,000	96,895
2028	70,000	1,575
Totals	\$ 1,920,000	\$ 983,846

2. Loan Payable

The Wastewater Utility has entered into a loan. Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank. The proceeds are set aside to finance the separation of sewer lines for the Wastewater Utility. Funds are loaned to the Utility as construction costs are accrued to the maximum allowed. The 2004 loan established a maximum draw of \$5,910,000. Annual debt service requirements to maturity for the loan, including interest of \$1,745,107, are as follows:

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

2008	\$	223,929
2009		447,001
2010		447,604
2011		447,848
2012		447,735
2013-2017		2,236,940
2018-2022		2,237,708
2023-2024		<u>671,342</u>
 Total	 \$	 <u><u>7,160,107</u></u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ -	\$ 1,950,000	\$ 30,000	\$ 1,920,000	\$ 30,000
State revolving fund loan:					
Wastewater Utility	5,662,000	-	247,000	5,415,000	127,000
Compensated absences:					
Water Utility	19,855	1,298	-	21,153	-
Wastewater Utility	18,474	2,180	-	20,654	-
Storm Water Utility	-	490	-	490	-
Total compensated absences	<u>38,329</u>	<u>3,968</u>	<u>-</u>	<u>42,297</u>	<u>-</u>
Total long-term liabilities	<u>\$ 5,700,329</u>	<u>\$ 1,953,968</u>	<u>\$ 277,000</u>	<u>\$ 7,377,297</u>	<u>\$ 157,000</u>

E. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Depreciation cash and investments	\$	304,512
Bond and interest cash and investments		132,710
Debt service reserve cash and investments		327,684
Construction cash and investments		<u>874,834</u>
 Total restricted assets		 <u><u>\$ 1,639,740</u></u>

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Other Information

A. Risk Management

The Utilities are 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.

Job Related Illnesses or Injuries to Employees

During 2001, the Utilities 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 Utilities pay 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 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 plant improvements.

C. Rate Structure

1. 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. The Utility has 4,362 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on June 15, 2004. The Utility has 4,420 customers.

3. Storm Water Utility

The current rate structure was approved by the City Council on July 20, 2004. The Utility has 4,107 customers.

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, 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 Utilities 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.

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 Utilities' 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. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 124,034
Interest on net pension obligation	(5,185)
Adjustment to annual required contribution	5,908
Annual pension cost	124,757
Contributions made	107,601
Increase in net pension obligation	17,156
Net pension obligation, beginning of year	(71,514)
Net pension obligation, end of year	\$ (54,358)

CITY OF DECATUR MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF
Contribution rates:	
Utilities	6.25%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 87,816	131%	\$ (51,010)
	06-30-06	92,657	122%	(71,514)
	06-30-07	124,757	86%	(54,358)

CITY OF DECATUR MUNICIPAL UTILITIES
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE 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)
07-01-05	\$ 1,965,275	\$ 2,232,834	\$ (267,559)	88%	\$ 1,525,917	(18%)
07-01-06	1,778,894	2,358,188	(579,294)	75%	1,473,128	(39%)
07-01-07	2,040,201	2,706,821	(666,620)	75%	1,596,762	(42%)

CITY OF DECATUR MUNICIPAL UTILITIES
EXAMINATION RESULT AND COMMENT

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 \$17,655; the Wastewater Utility was increased by \$30,960; and the Storm Water Utility was decreased by \$6,670 for unidentified variances. A similar comment appeared in prior Report B29875.

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)

CITY OF DECATUR MUNICIPAL UTILITIES
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.