

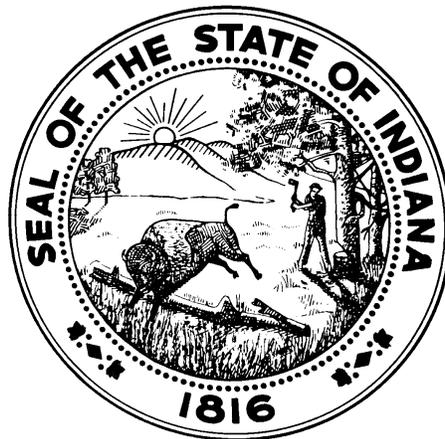
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2008

CITY OF DECATUR

ADAMS COUNTY, INDIANA



FILED
07/16/2009

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
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7
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	8
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	9
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	10
Notes to Financial Statements	11-22
Required Supplementary Information:	
Schedules of Funding Progress	23
Schedule of Contributions From the Employer and Other Contributing Entities	24
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	25-27
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Pension Trust Funds	28
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Private-Purpose Trust Funds	29
Schedule of Capital Assets.....	30
Schedule of Long-Term Debt	31
Other Report	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
Note to Schedule of Expenditures of Federal Awards.....	37
Schedule of Findings and Questioned Costs	38
Auditee Prepared Schedule:	
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	01-01-08 to 12-31-11
Mayor	John L. Schultz	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	John L. Schultz	01-01-08 to 12-31-11
President of the Common Council	John L. Schultz	01-01-08 to 12-31-11
Superintendent of Water Utility	James E. Inskeep, Jr	01-01-08 to 12-31-09
Superintendent of Wastewater Utility	Anne L. Butcher	01-01-08 to 12-31-09
Superintendent of Storm Water Utility	Joan A. Eichhorn	01-01-08 to 12-31-09
Utility Office Manager	Robert M. Ladd	01-01-08 to 12-31-09



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, 2008, 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, 2008, 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 June 10, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of

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

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.

The Schedules of Funding Progress, 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 required parts 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

June 10, 2009



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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS 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 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 10, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated June 10, 2009.

This report is intended solely for the information and use of the City's management, Common Council, 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

June 10, 2009

CITY OF DECATUR
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

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	Totals
Primary government:							
Governmental activities:							
General government	\$ 1,450,718	\$ 53,554	\$ 11,354	\$ 30,985	\$ (1,354,825)	\$ -	\$ (1,354,825)
Public safety	1,841,772	45,027	3,075	20,000	(1,773,670)	-	(1,773,670)
Highways and streets	1,035,716	4,758	282,901	37,332	(710,725)	-	(710,725)
Sanitation	427,086	168,359	-	-	(258,727)	-	(258,727)
Economic development	1,011,236	-	-	326,816	(684,420)	-	(684,420)
Culture and recreation	683,775	60,877	55,084	22,000	(545,814)	-	(545,814)
Interest on long-term debt	24,014	-	-	-	(24,014)	-	(24,014)
Total governmental activities	6,474,317	332,575	352,414	437,133	(5,352,195)	-	(5,352,195)
Business-type activities:							
Water	2,297,452	1,235,556	-	-	-	(1,061,896)	(1,061,896)
Wastewater	6,670,033	1,711,618	-	-	-	(4,958,415)	(4,958,415)
Storm water	186,668	205,759	-	-	-	19,091	19,091
Total business-type activities	9,154,153	3,152,933	-	-	-	(6,001,220)	(6,001,220)
Total primary government	\$ 15,628,470	\$ 3,485,508	\$ 352,414	\$ 437,133	(5,352,195)	(6,001,220)	(11,353,415)
General receipts:							
Property taxes					3,167,547	-	3,167,547
Other local sources					974,957	-	974,957
Bonds and loans					-	9,276,000	9,276,000
Grants and contributions not restricted to specific programs					93,576	-	93,576
Investment earnings					87,914	133,842	221,756
Total general receipts					4,323,994	9,409,842	13,733,836
Change in net assets					(1,028,201)	3,408,622	2,380,421
Net assets - beginning					4,714,272	2,633,276	7,347,548
Net assets - ending					\$ 3,686,071	\$ 6,041,898	\$ 9,727,969
Assets							
Cash and investments					\$ 2,987,865	\$ 1,343,445	\$ 4,331,310
Restricted assets:							
Cash and investments					698,206	4,698,453	5,396,659
Total assets					\$ 3,686,071	\$ 6,041,898	\$ 9,727,969
Net Assets							
Restricted for:							
Public safety					\$ 159,491	\$ -	\$ 159,491
Highways and streets					300,131	-	300,131
Culture and recreation					238,584	-	238,584
Debt service					-	476,649	476,649
Construction					-	3,913,490	3,913,490
Other purposes					-	308,314	308,314
Unrestricted					2,987,865	1,343,445	4,331,310
Total net assets					\$ 3,686,071	\$ 6,041,898	\$ 9,727,969

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, 2008

	General	Motor Vehicle Highway	Park and Recreation	Economic Development Income Tax	Cumulative Capital Development	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 1,991,487	\$ 518,961	\$ 471,516	\$ -	\$ 185,583	\$ -	\$ 3,167,547
Licenses and permits	12,345	-	-	-	-	3,100	15,445
Intergovernmental	881,443	322,534	91,094	326,816	14,173	151,161	1,787,221
Charges for services	243,899	2,055	54,842	-	-	11,401	312,197
Fines and forfeits	8,602	-	-	-	-	4,963	13,565
Other	110,518	5,059	8,439	-	-	26,125	150,141
Total receipts	3,248,294	848,609	625,891	326,816	199,756	196,750	5,446,116
Disbursements:							
General government	1,407,389	-	-	-	-	-	1,407,389
Public safety	1,818,004	-	-	-	-	23,768	1,841,772
Highways and streets	-	884,538	-	-	-	36,937	921,475
Sanitation	346,952	-	-	-	-	80,134	427,086
Culture and recreation	-	-	657,155	-	-	26,620	683,775
Debt service:							
Principal	-	-	-	40,491	87,179	-	127,670
Interest	-	-	-	11,340	12,674	-	24,014
Capital outlay:							
General government	-	-	-	-	-	43,329	43,329
Highways and streets	-	-	-	27,062	-	-	27,062
Economic development	-	-	-	970,745	-	-	970,745
Total disbursements	3,572,345	884,538	657,155	1,049,638	99,853	210,788	6,474,317
Excess (deficiency) of receipts over disbursements	(324,051)	(35,929)	(31,264)	(722,822)	99,903	(14,038)	(1,028,201)
Cash and investment fund balance - beginning	1,771,702	293,717	263,641	1,329,338	477,277	578,597	4,714,272
Cash and investment fund balance - ending	<u>\$ 1,447,651</u>	<u>\$ 257,788</u>	<u>\$ 232,377</u>	<u>\$ 606,516</u>	<u>\$ 577,180</u>	<u>\$ 564,559</u>	<u>\$ 3,686,071</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 1,447,651	\$ -	\$ -	\$ 606,516	\$ 577,180	\$ 356,518	\$ 2,987,865
Restricted assets:							
Cash and investments	-	257,788	232,377	-	-	208,041	698,206
Total cash and investment assets - December 31	<u>\$ 1,447,651</u>	<u>\$ 257,788</u>	<u>\$ 232,377</u>	<u>\$ 606,516</u>	<u>\$ 577,180</u>	<u>\$ 564,559</u>	<u>\$ 3,686,071</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 159,491	\$ 159,491
Highways and streets	-	257,788	-	-	-	42,343	300,131
Culture and recreation	-	-	232,377	-	-	6,207	238,584
Unrestricted	1,447,651	-	-	606,516	577,180	356,518	2,987,865
Total cash and investment fund balance - December 31	<u>\$ 1,447,651</u>	<u>\$ 257,788</u>	<u>\$ 232,377</u>	<u>\$ 606,516</u>	<u>\$ 577,180</u>	<u>\$ 564,559</u>	<u>\$ 3,686,071</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
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Storm Water Utility	Totals
Operating receipts:				
Metered water receipts:				
Residential, commercial and industrial	\$ 1,059,509	\$ -	\$ -	\$ 1,059,509
Fire protection receipts	113,775	-	-	113,775
Penalties	6,163	27,285	1,880	35,328
Measured revenue:				
Residential, commercial and industrial	-	1,646,069	-	1,646,069
Unmetered storm water receipts	-	-	203,533	203,533
Other	56,109	38,264	346	94,719
Total operating receipts	<u>1,235,556</u>	<u>1,711,618</u>	<u>205,759</u>	<u>3,152,933</u>
Operating disbursements:				
Equipment and capital improvements	952,579	4,973,953	24,570	5,951,102
Source of supply and disbursements - operations and maintenance	87,352	-	-	87,352
Water treatment disbursements - operations and maintenance	513,979	-	-	513,979
Transmission and distribution	337,577	-	-	337,577
Collection system - operations and maintenance	-	82,110	-	82,110
Treatment and disposal disbursements - operations and maintenance	-	719,481	-	719,481
Operations and maintenance	-	-	82,730	82,730
Customer accounts	146,273	91,736	16,605	254,614
Administration and general	116,979	78,462	20,129	215,570
Total operating disbursements	<u>2,154,739</u>	<u>5,945,742</u>	<u>144,034</u>	<u>8,244,515</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>(919,183)</u>	<u>(4,234,124)</u>	<u>61,725</u>	<u>(5,091,582)</u>
Nonoperating receipts (disbursements):				
Loan proceeds	-	9,276,000	-	9,276,000
Interest and investment receipts	33,930	92,669	7,243	133,842
Debt service of principal	(60,000)	(256,000)	-	(316,000)
Interest and investment disbursement	(82,713)	(379,534)	-	(462,247)
Miscellaneous disbursements	-	(88,757)	(42,634)	(131,391)
Total nonoperating receipts (disbursements)	<u>(108,783)</u>	<u>8,644,378</u>	<u>(35,391)</u>	<u>8,500,204</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(1,027,966)</u>	<u>4,410,254</u>	<u>26,334</u>	<u>3,408,622</u>
Cash and investment fund balance - beginning	<u>1,562,504</u>	<u>778,390</u>	<u>292,382</u>	<u>2,633,276</u>
Cash and investment fund balance - ending	<u>\$ 534,538</u>	<u>\$ 5,188,644</u>	<u>\$ 318,716</u>	<u>\$ 6,041,898</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 221,896	\$ 802,833	\$ 318,716	\$ 1,343,445
Restricted assets:				
Cash and investments	<u>312,642</u>	<u>4,385,811</u>	<u>-</u>	<u>4,698,453</u>
Total cash and investment assets - December 31	<u>\$ 534,538</u>	<u>\$ 5,188,644</u>	<u>\$ 318,716</u>	<u>\$ 6,041,898</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 26,402	\$ 450,247	\$ -	\$ 476,649
Construction	42,350	3,871,140	-	3,913,490
Other purposes	243,890	64,424	-	308,314
Unrestricted	<u>221,896</u>	<u>802,833</u>	<u>318,716</u>	<u>1,343,445</u>
Total cash and investment fund balance - December 31	<u>\$ 534,538</u>	<u>\$ 5,188,644</u>	<u>\$ 318,716</u>	<u>\$ 6,041,898</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, 2008

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 47,452	\$ -	\$ -
Plan members	1,094	-	-
State	379,747	-	-
Other	-	2,825	-
	<u>-</u>	<u>2,825</u>	<u>-</u>
Total contributions	<u>428,293</u>	<u>2,825</u>	<u>-</u>
Investment earnings:			
Interest	19,486	-	-
	<u>19,486</u>	<u>-</u>	<u>-</u>
Agency fund additions	-	-	4,955,010
	<u>-</u>	<u>-</u>	<u>4,955,010</u>
Total additions	<u>447,779</u>	<u>2,825</u>	<u>4,955,010</u>
Deductions:			
Benefits	434,060	-	-
Administrative and general	200	4,190	-
Agency fund deductions	-	-	4,952,565
	<u>-</u>	<u>-</u>	<u>4,952,565</u>
Total deductions	<u>434,260</u>	<u>4,190</u>	<u>4,952,565</u>
Excess (deficiency) of total additions over total deductions	13,519	(1,365)	2,445
Cash and investment fund balance - beginning	<u>930,962</u>	<u>6,501</u>	<u>51,811</u>
Cash and investment fund balance - ending	<u>\$ 944,481</u>	<u>\$ 5,136</u>	<u>\$ 54,256</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.

The City (primary government) is the financial reporting entity.

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. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. 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 park and recreation fund is used to account for the operating receipts and disbursements made in connection with the City's recreational programs and facilities.

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

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 storm water utility fund accounts for the operation of the storm water 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 arrangements 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. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and in 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.

3. 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.

4. 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.

5. 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.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

- 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.

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. 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

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

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.

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 City does not have a deposit policy for custodial credit risk. 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

Statutory Authorization for Investments

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 City 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 City'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. The City does not have a formal investment policy for interest rate risk for investments.

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. The City does not have a formal investment policy for credit risk for investments.

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. Restatements and Reclassifications

For the year ended December 31, 2008, certain changes have been made to the financial statements to more appropriately reflect financial activity of the City. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported December 31, 2007	Fund Reclassification	Balance as Restated January 1, 2008
Major Fund	\$ 1,786,549	\$ (14,847)	\$ 1,771,702
Other governmental funds	-	14,847	14,847

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.

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

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund and the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

C. Rate Structure – Enterprise Funds

Water Utility

On June 5, 1990, the Common 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 Common Council on February 20, 2007.

Wastewater Utility

The current rate structure was approved by the Common Council on June 3, 2008.

Storm Water Utility

The current rate structure was approved by the Common 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	\$ 141,417	\$ 367,600	\$ 92,000
Interest on net pension obligation	(3,941)	120,300	55,500
Adjustment to annual required contribution	4,491	(151,800)	(70,000)
Annual pension cost	141,967	336,100	77,500
Contributions made	113,100	238,599	188,600
Increase (decrease) in net pension obligation	28,867	97,501	(111,100)
Net pension obligation, beginning of year	(54,358)	2,005,563	925,360
Net pension obligation, end of year	\$ (25,491)	\$ 2,103,064	\$ 814,260

	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Contribution rates:			
City	8.25%	931%	0%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-08	01-01-08	01-01-08
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	30 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)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
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

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-06	\$ 92,657	122%	\$ (71,514)
	06-30-07	124,757	86%	(54,358)
	06-30-08	141,967	80%	(25,491)
1925 Police Officers' Pension Plan	12-31-06	329,000	94%	1,819,163
	12-31-07	334,000	44%	2,005,563
	12-31-08	336,100	71%	2,103,064
1937 Firefighters' Pension Plan	12-31-06	117,900	121%	917,349
	12-31-07	109,800	93%	925,360
	12-31-08	77,500	243%	814,260

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2008, was comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	15	8
Current active employees	1	-

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.

CITY OF DECATUR
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2008, 2007, and 2006, were \$207,958, \$196,526, and \$182,427, 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)
07-01-06	\$ 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%)
07-01-08	2,312,613	3,030,644	(718,031)	76%	1,651,314	(43%)

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)
01-01-03	\$ 297,201	\$ 4,536,500	\$ (4,239,299)	7%	\$ 34,200	(12,396%)
01-01-04	354,650	5,017,800	(4,663,150)	7%	36,400	(12,811%)
01-01-05	375,018	4,755,300	(4,380,282)	8%	35,900	(12,201%)
01-01-06	562,932	4,772,100	(4,209,168)	12%	37,000	(11,376%)
01-01-07	708,904	4,805,300	(4,096,396)	15%	38,300	(10,696%)
01-01-08	627,192	4,868,100	(4,240,908)	13%	39,500	(10,736%)

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)
01-01-03	\$ 246,339	\$ 1,997,800	\$ (1,751,461)	12%	\$ 68,400	(2,561%)
01-01-04	274,648	2,149,500	(1,874,852)	13%	72,800	(2,575%)
01-01-05	260,200	2,055,400	(1,795,200)	13%	71,800	(2,500%)
01-01-06	291,486	1,665,000	(1,373,514)	18%	37,000	(3,712%)
01-01-07	321,032	1,699,400	(1,378,368)	19%	38,300	(3,599%)
01-01-08	303,770	1,250,800	(947,030)	24%	-	0%

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

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-03	\$ 539,200	32%	26%
	12-31-04	583,300	20%	28%
	12-31-05	348,000	30%	97%
	12-31-06	353,500	26%	62%
	12-31-07	366,000	3%	38%
	12-31-08	367,600	3%	62%
1937 Firefighters' Pension Plan	12-31-03	\$ 240,900	20%	22%
	12-31-04	265,200	9%	23%
	12-31-05	156,700	15%	82%
	12-31-06	130,700	29%	80%
	12-31-07	123,200	29%	53%
	12-31-08	92,000	40%	165%

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, 2008

	Local Road and Street	Law Enforcement Continuing Education	Park Nonreverting	Fire Report	Police Nonreverting	K-9
Receipts:						
Licenses and permits	\$ -	\$ 3,100	\$ -	\$ -	\$ -	\$ -
Intergovernmental	37,332	-	-	-	-	-
Charges for services	-	2,566	6,035	-	-	-
Fines and forfeits	-	2,103	-	30	2,620	-
Other	-	706	-	-	2,019	-
Total receipts	37,332	8,475	6,035	30	4,639	-
Disbursements:						
Public safety	-	8,793	-	-	4,040	96
Highways and streets	36,937	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Culture and recreation	-	-	4,906	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Total disbursements	36,937	8,793	4,906	-	4,040	96
Excess (deficiency) of receipts over disbursements	395	(318)	1,129	30	599	(96)
Cash and investment fund balance - beginning	41,948	9,924	5,078	439	5,415	252
Cash and investment fund balance - ending	\$ 42,343	\$ 9,606	\$ 6,207	\$ 469	\$ 6,014	\$ 156
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ 9,606	\$ -	\$ 469	\$ -	\$ 156
Restricted assets:						
Cash and investments	42,343	-	6,207	-	6,014	-
Total cash and investment assets - December 31	\$ 42,343	\$ 9,606	\$ 6,207	\$ 469	\$ 6,014	\$ 156
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 6,014	\$ -
Highways and streets	42,343	-	-	-	-	-
Culture and recreation	-	-	6,207	-	-	-
Unrestricted	-	9,606	-	469	-	156
Total cash and investment fund balance - December 31	\$ 42,343	\$ 9,606	\$ 6,207	\$ 469	\$ 6,014	\$ 156

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, 2008
 (Continued)

	Operation Pullover	Trees New Construction	Water Rescue Unit	Deferral Program	Riverboat	RTP Grant
Receipts:						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	3,075	-	-	-	59,769	-
Charges for services	-	2,800	-	-	-	-
Fines and forfeits	-	-	-	210	-	-
Other	-	1,400	-	-	-	2,000
Total receipts	3,075	4,200	-	210	59,769	2,000
Disbursements:						
Public safety	3,061	-	392	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	80,134	-
Culture and recreation	-	-	-	-	-	4,712
Capital outlay:						
General government	-	-	-	-	-	-
Total disbursements	3,061	-	392	-	80,134	4,712
Excess (deficiency) of receipts over disbursements	14	4,200	(392)	210	(20,365)	(2,712)
Cash and investment fund balance - beginning	(12)	8,514	392	713	181,441	2,712
Cash and investment fund balance - ending	<u>\$ 2</u>	<u>\$ 12,714</u>	<u>\$ -</u>	<u>\$ 923</u>	<u>\$ 161,076</u>	<u>\$ -</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ 2	\$ 12,714	\$ -	\$ 923	\$ 161,076	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 2</u>	<u>\$ 12,714</u>	<u>\$ -</u>	<u>\$ 923</u>	<u>\$ 161,076</u>	<u>\$ -</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Unrestricted	2	12,714	-	923	161,076	-
Total cash and investment fund balance - December 31	<u>\$ 2</u>	<u>\$ 12,714</u>	<u>\$ -</u>	<u>\$ 923</u>	<u>\$ 161,076</u>	<u>\$ -</u>

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, 2008
 (Continued)

	Unsafe Building	Boy Scout Cabin Project	Cumulative Capital Improvement	HMGP Flood Grant #2	Totals
Receipts:					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ 3,100
Intergovernmental	-	-	30,985	20,000	151,161
Charges for services	-	-	-	-	11,401
Fines and forfeits	-	-	-	-	4,963
Other	-	20,000	-	-	26,125
Total receipts	-	20,000	30,985	20,000	196,750
Disbursements:					
Public safety	5,747	-	-	1,639	23,768
Highways and streets	-	-	-	-	36,937
Sanitation	-	-	-	-	80,134
Culture and recreation	-	17,002	-	-	26,620
Capital outlay:					
General government	-	-	43,329	-	43,329
Total disbursements	5,747	17,002	43,329	1,639	210,788
Excess (deficiency) of receipts over disbursements	(5,747)	2,998	(12,344)	18,361	(14,038)
Cash and investment fund balance - beginning	14,847	-	171,818	135,116	578,597
Cash and investment fund balance - ending	<u>\$ 9,100</u>	<u>\$ 2,998</u>	<u>\$ 159,474</u>	<u>\$ 153,477</u>	<u>\$ 564,559</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 9,100	\$ 2,998	\$ 159,474	\$ -	\$ 356,518
Restricted assets:					
Cash and investments	-	-	-	153,477	208,041
Total cash and investment assets - December 31	<u>\$ 9,100</u>	<u>\$ 2,998</u>	<u>\$ 159,474</u>	<u>\$ 153,477</u>	<u>\$ 564,559</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 153,477	\$ 159,491
Highways and streets	-	-	-	-	42,343
Culture and recreation	-	-	-	-	6,207
Unrestricted	9,100	2,998	159,474	-	356,518
Total cash and investment fund balance - December 31	<u>\$ 9,100</u>	<u>\$ 2,998</u>	<u>\$ 159,474</u>	<u>\$ 153,477</u>	<u>\$ 564,559</u>

CITY OF DECATUR
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2008

	Police Officers' Pension	Firefighters' Pension	Totals
Additions:			
Contributions:			
Employer	\$ 10,394	\$ 37,058	\$ 47,452
Plan members	1,094	-	1,094
State	228,205	151,542	379,747
 Total contributions	 239,693	 188,600	 428,293
 Investment receipts:			
Interest	11,080	8,406	19,486
 Total additions	 250,773	 197,006	 447,779
 Deductions:			
Benefits	282,175	151,885	434,060
Administrative and general	100	100	200
 Total deductions	 282,275	 151,985	 434,260
 Excess (deficiency) of total additions over total deductions	 (31,502)	 45,021	 13,519
 Cash and investment fund balance - beginning	 627,192	 303,770	 930,962
 Cash and investment fund balance - ending	 <u>\$ 595,690</u>	 <u>\$ 348,791</u>	 <u>\$ 944,481</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, 2008

	Park Donation	Fire Nonreverting Donation	Police DARE	Totals
Additions:				
Contributions:				
Other	\$ 1,100	\$ 1,000	\$ 725	\$ 2,825
Deductions:				
Administrative and general	2,037	638	1,515	4,190
Excess (deficiency) of total additions over total deductions	(937)	362	(790)	(1,365)
Cash and investment fund balance - beginning	3,427	1,679	1,395	6,501
Cash and investment fund balance - ending	\$ 2,490	\$ 2,041	\$ 605	\$ 5,136

CITY OF DECATUR
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2008

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 four 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	4,159,489
Buildings	1,517,959
Improvements other than buildings	621,731
Machinery and equipment	<u>4,734,221</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 15,278,517</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	5,994,423
Machinery and equipment	<u>1,542,551</u>
Total Water Utility capital assets	<u>8,142,285</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	15,800
Construction in progress	7,072,597
Capital assets, being depreciated:	
Buildings	5,446,888
Improvements other than buildings	13,630,212
Machinery and equipment	<u>5,761,075</u>
Total Wastewater Utility capital assets	<u>31,926,572</u>
Storm Water Utility:	
Capital assets, being depreciated:	
Machinery and equipment	<u>71,251</u>
Total Storm Water Utility capital assets	<u>71,251</u>
Total business-type activities capital assets	<u>\$ 40,140,108</u>

CITY OF DECATUR
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

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	\$ 207,673	\$ 51,495
Building loan	<u>187,821</u>	<u>99,852</u>
Total governmental activities debt	<u>\$ 395,494</u>	<u>\$ 151,347</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water tower construction and renovation	\$ 1,860,000	\$ 70,400
Wastewater Utility		
Loans payable:		
State revolving fund loan 2004	5,159,000	223,346
State revolving fund loan 2008	<u>9,276,000</u>	<u>340,911</u>
Total business-type activities debt	<u>\$ 16,295,000</u>	<u>\$ 634,657</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

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, 2008. 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 of America; 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a

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)

federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, Common Council, 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

June 10, 2009

CITY OF DECATUR
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008

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 TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		
		OP-08-01-01-42	\$ 2,325
		OP-09-01-01-43	750
			<u>3,075</u>
Total for federal grantor agency			<u>3,075</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW07060102	<u>2,547,443</u>
Total for federal grantor agency			<u>2,547,443</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security			
Disaster Grants - Public Assistance	97.036		
		PW 139	4,773
		PW 1492	52,119
		PW 1494	<u>5,379</u>
Total for program			<u>62,271</u>
Hazard Mitigation Grant	97.039	DR-1573-IN	<u>1,229</u>
Total for federal grantor agency			<u>63,500</u>
Total federal awards expended			<u>\$ 2,614,018</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF DECATUR
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

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
Significant deficiencies 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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major program: 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 Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? no

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 June 10, 2009, with Phyllis J. Whitright, Clerk-Treasurer; and John L. Schultz, Mayor. Our audit disclosed no material items that warrant comment at this time.