

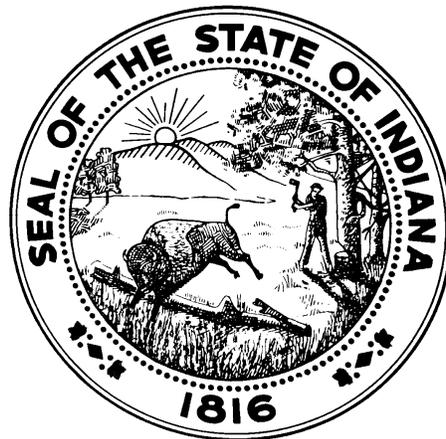
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT

2008

CITY OF DECATUR MUNICIPAL UTILITIES

ADAMS COUNTY, INDIANA



FILED
07/16/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Statement of Net Assets	4
Statement of Revenues, Expenses, and Other Changes in Fund Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7-15
Supplementary Information: Schedule of Funding Progress	16
Examination Results and Comments: Unpaid Hydrant Rental	17
Accounts Receivable	17
Exit Conference.....	18

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
Utility Office Manager	Robert M. Ladd	01-01-08 to 12-31-09
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



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT ACCOUNTANT'S REPORT

TO THE OFFICIALS OF THE CITY OF 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, 2008. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion on these financial statements 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, 2008, 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, 2008 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's 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

June 10, 2009

CITY OF DECATUR MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2008

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Current assets:			
Cash and cash equivalents	\$ 221,896	\$ 802,833	\$ 318,716
Interest receivable	886	1,192	433
Accounts receivable (net of allowance)	87,089	188,218	17,059
Accounts receivable - other	5,732	1,318	-
Inventories	60,096	-	-
Total current assets	375,699	993,561	336,208
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	243,890	64,424	-
Bond and interest cash and investments	-	2,473	-
Construction cash and investments	42,350	3,871,140	-
Debt service reserve cash and investments	26,402	447,774	-
Total restricted assets	312,642	4,385,811	-
Deferred charges	79,698	151,880	-
Capital assets:			
Land, improvements to land and construction in progress	179,724	7,088,397	-
Other capital assets (net of accumulated depreciation)	5,292,963	16,877,734	29,144
Total capital assets	5,472,687	23,966,131	29,144
Total noncurrent assets	5,865,027	28,503,822	29,144
Total assets	6,240,726	29,497,383	365,352
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	47,509	32,620	1,587
Taxes payable	9,130	-	-
Wages payable	12,646	11,464	1,752
Current liabilities payable from restricted assets:			
Contracts payable	-	1,590,890	-
Loans payable	-	285,000	-
Bonds payable	30,000	-	-
Total current liabilities	99,285	1,919,974	3,339
Noncurrent liabilities:			
Revenue bonds payable	1,830,000	-	-
Loans payable	-	14,150,000	-
Compensated absences	21,804	21,276	520
Total noncurrent liabilities	1,851,804	14,171,276	520
Total liabilities	1,951,089	16,091,250	3,859
<u>Net Assets</u>			
Invested in capital assets, net of related debt	3,612,687	7,940,241	29,144
Restricted for debt service	26,402	450,247	-
Restricted for construction	42,350	3,871,140	-
Restricted for other purposes	243,890	64,424	-
Unrestricted	364,308	1,080,081	332,349
Total net assets	\$ 4,289,637	\$ 13,406,133	\$ 361,493

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, 2008

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Operating revenues:			
Measured revenue:			
Residential, commercial and industrial	\$ 1,060,908	\$ 1,710,021	\$ -
Fire protection revenue	113,775	-	-
Penalties	6,163	27,285	1,880
Flat rate revenues	-	-	204,078
Other	49,466	35,565	346
	<u>1,230,312</u>	<u>1,772,871</u>	<u>206,304</u>
Total operating revenues			
Operating expenses:			
Source of supply and expense - operations and maintenance	75,972	-	-
Transmission and distribution	314,910	-	-
Water - operations and maintenance	519,119	-	-
Collection system - operations and maintenance	-	82,625	-
Treatment and disposal - operations and maintenance	-	646,880	-
Operations and maintenance	-	-	78,362
Customer accounts	147,607	92,556	16,681
Administration and general	118,820	78,410	20,325
Depreciation	177,437	494,639	9,303
	<u>1,353,865</u>	<u>1,395,110</u>	<u>124,671</u>
Total operating expenses			
Operating income (loss)	<u>(123,553)</u>	<u>377,761</u>	<u>81,633</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	13,719	23,635	6,784
Miscellaneous revenue	9,181	-	-
Payment of wastewater utility expenses	-	-	(42,634)
Interest expense	(20,679)	(191,584)	-
Miscellaneous expense	(4,367)	(6,216)	-
	<u>(2,146)</u>	<u>(174,165)</u>	<u>(35,850)</u>
Total nonoperating revenues (expenses)			
Income (loss) before contributions	(125,699)	203,596	45,783
Capital contributions	<u>-</u>	<u>88,580</u>	<u>-</u>
Change in net assets	(125,699)	292,176	45,783
Total net assets - beginning	<u>4,415,336</u>	<u>13,113,957</u>	<u>315,710</u>
Total net assets - ending	<u>\$ 4,289,637</u>	<u>\$ 13,406,133</u>	<u>\$ 361,493</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, 2008

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,235,556	\$ 1,711,618	\$ 205,759
Payments to suppliers and contractors	(674,598)	(509,022)	(48,702)
Payments to employees	(527,562)	(462,767)	(70,762)
Net cash provided by operating activities	<u>33,396</u>	<u>739,829</u>	<u>86,295</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	9,276,000	-
Capital contributions	-	-	(42,634)
Acquisition and construction of capital assets	(952,579)	(4,973,953)	(24,570)
Principal paid on capital debt	(60,000)	(256,000)	-
Interest paid on capital debt	(82,713)	(379,534)	-
Bond issue costs	-	(88,757)	-
Net cash provided (used) by capital and related financing activities	<u>(1,095,292)</u>	<u>3,577,756</u>	<u>(67,204)</u>
Cash flows from investing activities:			
Interest received	<u>33,930</u>	<u>92,669</u>	<u>7,243</u>
Net increase (decrease) in cash and cash equivalents	(1,027,966)	4,410,254	26,334
Cash and cash equivalents, January 1	<u>1,562,504</u>	<u>778,390</u>	<u>292,382</u>
Cash and cash equivalents, December 31	<u>\$ 534,538</u>	<u>\$ 5,188,644</u>	<u>\$ 318,716</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (123,553)</u>	<u>\$ 377,761</u>	<u>\$ 81,633</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	177,437	494,639	9,303
(Increase) decrease in assets:			
Accounts receivable - customer	(1,399)	(63,952)	(545)
Accounts receivable - other	6,643	2,699	-
Inventories	(2,885)	-	-
Increase (decrease) in liabilities:			
Accounts payable	(29,930)	(76,498)	(4,793)
Wages payables	5,375	4,558	667
Taxes payable	1,057	-	-
Compensated absence payable	651	622	30
Total adjustments	<u>156,949</u>	<u>362,068</u>	<u>4,662</u>
Net cash provided by operating activities	<u>\$ 33,396</u>	<u>\$ 739,829</u>	<u>\$ 86,295</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through capitalized debt interest	\$ 46,199	\$ 121,203	\$ -
Contributions of capital assets from government	-	88,580	-
Purchase of equipment on account	-	1,590,890	-

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 \$462,247. Of the amount, \$62,034 and \$187,950 were included as part of the cost of capital assets under construction in connection with the water tank project and wastewater improvement project, respectively.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of one 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 five days to twenty 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, 2008, 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>-</u>	<u>873,284</u>	<u>873,284</u>	<u>-</u>
Total capital assets, not being depreciated	<u>179,724</u>	<u>873,284</u>	<u>873,284</u>	<u>179,724</u>
Capital assets, being depreciated:				
Buildings	425,587	-	-	425,587
Improvements other than buildings	5,088,520	917,667	11,764	5,994,423
Machinery and equipment	<u>1,496,805</u>	<u>143,662</u>	<u>97,916</u>	<u>1,542,551</u>
Totals	<u>7,010,912</u>	<u>1,061,329</u>	<u>109,680</u>	<u>7,962,561</u>
Less accumulated depreciation for:				
Buildings	280,693	9,117	-	289,810
Improvements other than buildings	1,543,853	97,083	9,506	1,631,430
Machinery and equipment	<u>711,751</u>	<u>71,237</u>	<u>34,630</u>	<u>748,358</u>
Totals	<u>2,536,297</u>	<u>177,437</u>	<u>44,136</u>	<u>2,669,598</u>
Total capital assets, being depreciated, net	<u>4,474,615</u>	<u>883,892</u>	<u>65,544</u>	<u>5,292,963</u>
Total Water Utility capital assets, net	<u>\$ 4,654,339</u>	<u>\$ 1,757,176</u>	<u>\$ 938,828</u>	<u>\$ 5,472,687</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 15,390	\$ 410	\$ -	\$ 15,800
Construction in progress	418,819	6,653,778	-	7,072,597
 Total capital assets, not being depreciated	 434,209	 6,654,188	 -	 7,088,397
 Capital assets, being depreciated:				
Buildings	5,446,888	-	-	5,446,888
Improvements other than buildings	13,542,042	88,170	-	13,630,212
Machinery and equipment	5,753,597	7,478	-	5,761,075
 Totals	 24,742,527	 95,648	 -	 24,838,175
 Less accumulated depreciation for:				
Buildings	2,324,106	118,751	-	2,442,857
Improvements other than buildings	2,133,011	136,302	-	2,269,313
Machinery and equipment	3,008,685	239,586	-	3,248,271
 Totals	 7,465,802	 494,639	 -	 7,960,441
 Total capital assets, being depreciated, net	 17,276,725	 (398,991)	 -	 16,877,734
 Total Wastewater Utility capital assets, net	 \$ 17,710,934	 \$ 6,255,197	 \$ -	 \$ 23,966,131
 Storm Water Utility:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 47,566	\$ 23,685	\$ -	\$ 71,251
 Less accumulated depreciation for:				
Machinery and equipment	32,804	9,303	-	42,107
 Total Storm Water Utility capital assets, net	 \$ 14,762	 \$ 14,382	 \$ -	 \$ 29,144

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

Water	\$ 177,437
Wastewater	494,639
Storm Water	9,303
 Total depreciation expense	 \$ 681,379

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, 2008	Committed	Required Future Funding
Wastewater Utility: Improvement project	\$ 9,070,498	\$ 7,072,597	\$ 1,997,901	\$ -

D. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue 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 4.5%	\$ 1,860,000

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility	
	Principal	Interest
2009	\$ 30,000	\$ 40,400
2010	70,000	78,781
2011	70,000	75,806
2012	70,000	72,831
2013	75,000	69,856
2014-2018	425,000	297,750
2019-2023	530,000	197,579
2024-2028	590,000	68,130
Totals	\$ 1,860,000	\$ 901,133

2. Loans Payable

The Wastewater Utility has entered into two State Revolving Fund Loans. Under the terms of the 2004 State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank. The proceeds were used 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 amount. The 2004 loan established a maximum draw of \$5,910,000, of which \$5,159,000 is still outstanding. Under the terms of the 2008 State Revolving Loan Fund, revenue bonds

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

have been purchased by the Indiana Bond Bank. The proceeds will finance the improvement project for the Wastewater Utility. The loan principal of \$9,276,000 was loaned to the Utility at the inception of the agreement, and is still outstanding. Annual debt service requirements to maturity for the loans, including interest of \$1,553,524 and \$4,439,003, respectively, are as follows:

2009	\$ 564,257
2010	1,116,158
2011	1,116,030
2012	1,116,081
2013	1,116,209
2014-2018	5,580,403
2019-2023	5,581,699
2024-2028	3,568,003
2029	<u>668,687</u>
 Total	 <u><u>\$ 20,427,527</u></u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 1,920,000	\$ -	\$ 60,000	\$ 1,860,000	\$ 30,000
State revolving fund loans:					
Wastewater Utility	<u>5,415,000</u>	<u>9,276,000</u>	<u>256,000</u>	<u>14,435,000</u>	<u>285,000</u>
Compensated absences:					
Water Utility	21,153	651	-	21,804	-
Wastewater Utility	20,654	622	-	21,276	-
Storm Water Utility	<u>490</u>	<u>30</u>	<u>-</u>	<u>520</u>	<u>-</u>
Total compensated absences	<u>42,297</u>	<u>1,303</u>	<u>-</u>	<u>43,600</u>	<u>-</u>
Total long-term liabilities	<u><u>\$ 7,377,297</u></u>	<u><u>\$ 9,277,303</u></u>	<u><u>\$ 316,000</u></u>	<u><u>\$ 16,338,600</u></u>	<u><u>\$ 315,000</u></u>

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

E. Restricted Assets

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

Depreciation account	\$ 308,314
Revenue bond operations and maintenance account	2,473
Revenue bond debt service reserve	474,176
Revenue bond construction account	<u>3,913,490</u>
 Total restricted assets	 <u><u>\$ 4,698,453</u></u>

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. Rate Structure

1. Water Utility

The current rate structure was approved by the Common Council on February 20, 2007. The Utility has 4,359 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on June 3, 2008. The Utility has 4,432 customers.

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

3. Storm Water Utility

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

C. 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 three percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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.

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 141,417
Interest on net pension obligation	(3,941)
Adjustment to annual required contribution	4,491
Annual pension cost	141,967
Contributions made	113,100
Increase in net pension obligation	28,867
Net pension obligation, beginning of year	(54,358)
Net pension obligation, end of year	\$ (25,491)
Contribution rates:	
Utilities	8.25%
Plan members	3%
Actuarial valuation date	07-01-08
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	4 year smoothed market

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	06-30-06	\$ 92,657	122%	\$ (71,514)
	06-30-07	124,757	86%	(54,358)
	06-30-08	141,967	80%	(25,491)

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)
07-01-06	\$ 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%)

CITY OF DECATUR MUNICIPAL UTILITIES
EXAMINATION RESULTS AND COMMENTS

UNPAID HYDRANT RENTAL

The City of Decatur underpaid the Water Utility hydrant rental by \$39,510 for the year 2008, pursuant to Rate Ordinance 2007-3 passed by Common Council on February 20, 2007. The Water Utility invoiced the City for 439 hydrants at the old rate of \$170 per hydrant for a total of \$74,630, not the current rate of \$260 per hydrant, which totals \$114,140.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACCOUNTS RECEIVABLE

Accounts receivable as reported in the general ledger did not agree with the aged trial balance. At year end, adjustments were made to the general ledger to agree with the detail aged trial balance. The accounts receivable balance in the general ledger for the Water Utility was decreased by \$9,657, the Wastewater Utility was increased by \$10,802 and the Storm Water Utility was decreased by \$1,916 for unidentified variances. A similar comment appeared in prior Report B33066.

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 June 10, 2009, with Phyllis J. Whitright, Clerk-Treasurer; John L. Schultz, Mayor; and Robert M. Ladd, Utility Office Manager. The officials concurred with our examination findings.