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

ANNUAL FINANCIAL REPORT

2009

CITY OF DECATUR

ADAMS COUNTY, INDIANA



**FILED**  
06/08/2010



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### 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.	01-01-09 to 12-31-10
Superintendent of Wastewater Utility	Anne L. Butcher	01-01-09 to 12-31-10
Superintendent of Storm Water Utility	Joan A. Eichhorn	01-01-09 to 12-31-10
Utility Office Manager	Robert M. Ladd Daniel L. Rickord	01-01-09 to 12-31-09 01-01-10 to 12-31-10



**STATE OF INDIANA**  
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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, 2009, 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, 2009, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 29, 2010, 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.

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets and Schedule of Long-Term Debt are presented for additional analysis and are not 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

April 29, 2010



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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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 29, 2010. 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.

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

April 29, 2010

CITY OF DECATUR  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2009

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
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 1,642,296	\$ 78,071	\$ -	\$ -	\$ (1,564,225)	\$ -	\$ (1,564,225)
Public safety	2,164,960	64,122	5,739	476,522	(1,618,577)	-	(1,618,577)
Highways and streets	913,114	8,338	249,319	35,137	(620,320)	-	(620,320)
Sanitation	268,116	202,320	-	-	(65,796)	-	(65,796)
Economic development	298,959	30,000	-	-	(268,959)	-	(268,959)
Culture and recreation	680,740	50,378	-	-	(630,362)	-	(630,362)
Urban redevelopment and housing	14,813	-	-	-	(14,813)	-	(14,813)
<b>Total governmental activities</b>	<b>5,982,998</b>	<b>433,229</b>	<b>255,058</b>	<b>511,659</b>	<b>(4,783,052)</b>	<b>-</b>	<b>(4,783,052)</b>
<b>Business-type activities:</b>							
Water	1,509,005	1,224,290	-	-	-	(284,715)	(284,715)
Wastewater	5,871,348	2,099,009	-	-	-	(3,772,339)	(3,772,339)
Storm Water	259,434	203,040	-	-	-	(56,394)	(56,394)
<b>Total business-type activities</b>	<b>7,639,787</b>	<b>3,526,339</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,113,448)</b>	<b>(4,113,448)</b>
<b>Total primary government</b>	<b>\$ 13,622,785</b>	<b>\$ 3,959,568</b>	<b>\$ 255,058</b>	<b>\$ 511,659</b>	<b>(4,783,052)</b>	<b>(4,113,448)</b>	<b>(8,896,500)</b>
<b>General receipts:</b>							
Property taxes					3,021,340	-	3,021,340
Intergovernmental					1,357,307	-	1,357,307
Other local sources					118,417	-	118,417
Grants and contributions not restricted to specific programs					11,734	-	11,734
Investment earnings					52,902	66,117	119,019
<b>Total general receipts</b>					<b>4,561,700</b>	<b>66,117</b>	<b>4,627,817</b>
<b>Change in net assets</b>					<b>(221,352)</b>	<b>(4,047,331)</b>	<b>(4,268,683)</b>
<b>Net assets - beginning</b>					<b>3,686,071</b>	<b>6,041,898</b>	<b>9,727,969</b>
<b>Net assets - ending</b>					<b>\$ 3,464,719</b>	<b>\$ 1,994,567</b>	<b>\$ 5,459,286</b>
<b>Assets</b>							
Cash and investments					\$ 2,020,499	\$ 1,200,260	\$ 3,220,759
Restricted assets:							
Cash and investments					1,444,220	794,307	2,238,527
<b>Total assets</b>					<b>\$ 3,464,719</b>	<b>\$ 1,994,567</b>	<b>\$ 5,459,286</b>
<b>Net Assets</b>							
Restricted for:							
Public safety					\$ 123	\$ -	\$ 123
Highways and streets					77,480	-	77,480
Culture and recreation					6,876	-	6,876
Debt service					-	651,136	651,136
Capital outlay					1,359,741	-	1,359,741
Other purposes					-	143,171	143,171
Unrestricted					2,020,499	1,200,260	3,220,759
<b>Total net assets</b>					<b>\$ 3,464,719</b>	<b>\$ 1,994,567</b>	<b>\$ 5,459,286</b>

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, 2009

	General	Motor Vehicle Highway	Park And Recreation	Cumulative Capital Development	Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>							
Taxes	\$ 1,571,945	\$ 743,089	\$ 551,610	\$ 156,328	\$ -	\$ -	\$ 3,022,972
Licenses and permits	6,987	-	-	-	-	6,660	13,647
Intergovernmental	870,258	301,562	38,666	10,992	248,144	654,402	2,124,024
Charges for services	248,129	1,980	88,435	-	30,000	5,517	374,061
Fines and forfeits	10,151	-	-	-	-	1,399	11,550
Other	106,192	-	5,878	-	-	15,797	127,867
<b>Total receipts</b>	<b>2,813,662</b>	<b>1,046,631</b>	<b>684,589</b>	<b>167,320</b>	<b>278,144</b>	<b>683,775</b>	<b>5,674,121</b>
<b>Disbursements:</b>							
General government	1,424,626	-	-	99,852	-	117,818	1,642,296
Public safety	1,679,370	-	-	-	-	485,590	2,164,960
Highways and streets	-	913,114	-	-	-	-	913,114
Sanitation	268,116	-	-	-	-	-	268,116
Economic development	-	-	-	-	298,959	-	298,959
Culture and recreation	-	-	677,666	-	-	3,074	680,740
Urban redevelopment and housing	-	-	-	-	-	14,813	14,813
<b>Total disbursements</b>	<b>3,372,112</b>	<b>913,114</b>	<b>677,666</b>	<b>99,852</b>	<b>298,959</b>	<b>621,295</b>	<b>5,982,998</b>
Excess (deficiency) of receipts over disbursements	(558,450)	133,517	6,923	67,468	(20,815)	62,480	(308,877)
<b>Other financing sources (uses):</b>							
Other receipts	68,490	13,841	94	-	-	5,100	87,525
<b>Total other financing sources (uses)</b>	<b>68,490</b>	<b>13,841</b>	<b>94</b>	<b>-</b>	<b>-</b>	<b>5,100</b>	<b>87,525</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(489,960)	147,358	7,017	67,468	(20,815)	67,580	(221,352)
Cash and investment fund balance - beginning	1,447,651	257,788	232,377	577,180	606,516	564,559	3,686,071
Cash and investment fund balance - ending	\$ 957,691	\$ 405,146	\$ 239,394	\$ 644,648	\$ 585,701	\$ 632,139	\$ 3,464,719
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 957,691	\$ 405,146	\$ 239,394	\$ -	\$ -	\$ 418,268	\$ 2,020,499
Restricted assets:							
Cash and investments	-	-	-	644,648	585,701	213,871	1,444,220
<b>Total cash and investment assets - ending</b>	<b>\$ 957,691</b>	<b>\$ 405,146</b>	<b>\$ 239,394</b>	<b>\$ 644,648</b>	<b>\$ 585,701</b>	<b>\$ 632,139</b>	<b>\$ 3,464,719</b>
<b>Cash and Investment Fund Balance - Ending</b>							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123	\$ 123
Highways and streets	-	-	-	-	-	77,480	77,480
Culture and recreation	-	-	-	-	-	6,876	6,876
Capital outlay	-	-	-	644,648	585,701	129,392	1,359,741
Unrestricted	957,691	405,146	239,394	-	-	418,268	2,020,499
<b>Total cash and investment fund balance - ending</b>	<b>\$ 957,691</b>	<b>\$ 405,146</b>	<b>\$ 239,394</b>	<b>\$ 644,648</b>	<b>\$ 585,701</b>	<b>\$ 632,139</b>	<b>\$ 3,464,719</b>

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, 2009

	Water Utility	Wastewater Utility	Storm Water Utility	Totals
Operating receipts:				
Unmetered/flat rate	\$ -	\$ -	\$ 203,040	\$ 203,040
Metered/measured	1,214,440	2,089,350	-	3,303,790
Miscellaneous	9,850	9,659	-	19,509
Total operating receipts	<u>1,224,290</u>	<u>2,099,009</u>	<u>203,040</u>	<u>3,526,339</u>
Operating disbursements:				
Salaries and wages	487,962	465,573	93,072	1,046,607
Transmission and distribution	799,257	-	-	799,257
Collection system	-	-	53,650	53,650
Treatment and disposal	-	412,693	-	412,693
Equipment and capital improvements	76,274	3,869,015	112,712	4,058,001
Miscellaneous	350	-	-	350
Total operating disbursements	<u>1,363,843</u>	<u>4,747,281</u>	<u>259,434</u>	<u>6,370,558</u>
Deficiency of operating receipts over operating disbursements	<u>(139,553)</u>	<u>(2,648,272)</u>	<u>(56,394)</u>	<u>(2,844,219)</u>
Nonoperating receipts (disbursements):				
Investment income	4,556	59,295	2,266	66,117
Debt service of principal	(65,000)	(571,000)	-	(636,000)
Interest disbursements	(80,162)	(553,067)	-	(633,229)
Total nonoperating receipts (disbursements)	<u>(140,606)</u>	<u>(1,064,772)</u>	<u>2,266</u>	<u>(1,203,112)</u>
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	<u>(280,159)</u>	<u>(3,713,044)</u>	<u>(54,128)</u>	<u>(4,047,331)</u>
Transfers in	442,076	1,275,267	-	1,717,343
Transfers out	<u>(442,076)</u>	<u>(1,275,267)</u>	<u>-</u>	<u>(1,717,343)</u>
Deficiency of receipts and transfers in over disbursements and transfers out	<u>(280,159)</u>	<u>(3,713,044)</u>	<u>(54,128)</u>	<u>(4,047,331)</u>
Cash and investment fund balance - beginning	<u>534,538</u>	<u>5,188,644</u>	<u>318,716</u>	<u>6,041,898</u>
Cash and investment fund balance - ending	<u>\$ 254,379</u>	<u>\$ 1,475,600</u>	<u>\$ 264,588</u>	<u>\$ 1,994,567</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 209,349	\$ 726,323	\$ 264,588	\$ 1,200,260
Restricted assets:				
Cash and investments	<u>45,030</u>	<u>749,277</u>	<u>-</u>	<u>794,307</u>
Total cash and investment assets - December 31	<u>\$ 254,379</u>	<u>\$ 1,475,600</u>	<u>\$ 264,588</u>	<u>\$ 1,994,567</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 45,030	\$ 606,106	\$ -	\$ 651,136
Other purposes	-	143,171	-	143,171
Unrestricted	<u>209,349</u>	<u>726,323</u>	<u>264,588</u>	<u>1,200,260</u>
Total cash and investment fund balance - December 31	<u>\$ 254,379</u>	<u>\$ 1,475,600</u>	<u>\$ 264,588</u>	<u>\$ 1,994,567</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, 2009

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
State	\$ 451,794	\$ -	
Other	-	6,353	
Total contributions	451,794	6,353	
Investment earnings:			
Interest	9,162	-	
Total additions	460,956	6,353	
Deductions:			
Benefits	435,302	-	
Administrative and general	200	3,083	
Total deductions	435,502	3,083	
Excess of total additions over total deductions	25,454	3,270	
Cash and investment fund balance - beginning	944,481	5,136	
Cash and investment fund balance - ending	\$ 969,935	\$ 8,406	\$ 55,002

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's financial reporting entity is composed of the following:

Primary Government: City of Decatur

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 (MVH) accounts for state and local monies collected for highway and street construction and improvements.

The Park and Recreation Fund accounts for receipts and disbursements for operating and maintaining the parks.

The Cumulative Capital Development Fund is used to account for receipts and disbursements of taxes levied under Indiana Code IC 36-9-15.5 for capital project uses.

CITY OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Economic Development Income Tax (EDIT) Fund is used to account for economic development income tax receipts and disbursements.

The City reports the following major enterprise 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 officers' and 1937 fire-fighters' pension plans, which accumulate resources for pension benefit payments.

The private-purpose trust funds report 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 federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to 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 and other charges between the City and its enterprise funds. 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.

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, 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 may 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.

4. 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.

5. Long-Term Debt

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

CITY OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

6. Equity Classification

Government-Wide Statements

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

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

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 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 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.

CITY OF DECATUR  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is 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 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 loans and 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

A. Budgetary Information

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

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

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

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2009, disbursements exceeded budgeted appropriations in the following fund by the amount below:

<u>Fund</u>	<u>2009</u>
Rainy Day	\$ <u>12,400</u>

These disbursements were funded by available fund balances.

CITY OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. IC 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. At December 31, 2009, the City had deposit balances in the amount of \$6,492,629.

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.

2. Investments

Statutory Authorization for Investments

IC 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 has 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.

CITY OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. 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.

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 risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

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 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

CITY OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 – Enterprise Funds

Water Utility

On June 5, 1990, the City Council adopted Ordinance 1990-3 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the City Council on December 15, 2009.

Wastewater Utility

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

Storm Water Utility

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

C. Receipts Pledged

Water Utility Receipts Pledged

The City has pledged future customer collections, net of specified operating expenditures, to repay revenue bonds issued in 2007. Proceeds from the bonds provided financing for water tower construction and renovation. The bonds are payable solely from customer collections net receipts and are payable through 2028. Annual principal and interest payments exceed net receipts. The City Council approved a new rate structure on December 15, 2009 to cover the deficit in net receipts.

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

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the City during the period were \$171,959.

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

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City no longer makes contributions, the 1925 Police Officers' Pension Plan is entirely funded by the State.

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.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City no longer makes contributions, the 1937 Firefighters Pension Plan is entirely funded by the State.

CITY OF DECATUR  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy

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 during the period were \$206,245.

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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (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	360,600	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, 2009

	Local Road and Street	Park Nonreverting Operating	Fire Assistance Grant	Law Enforcement Continuing Education	Deferral Program	Unsafe Building
<b>Receipts:</b>						
Licenses and permits	\$ -	\$ -	\$ -	\$ 4,360	\$ -	\$ -
Intergovernmental	35,137	-	476,522	-	-	-
Charges for services	-	3,743	-	1,774	-	-
Fines and forfeits	-	-	-	1,030	213	-
Other	-	-	-	4,363	-	-
<b>Total receipts</b>	<b>35,137</b>	<b>3,743</b>	<b>476,522</b>	<b>11,527</b>	<b>213</b>	<b>-</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	468,417	9,668	-	1,887
Culture and recreation	-	3,074	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>3,074</b>	<b>468,417</b>	<b>9,668</b>	<b>-</b>	<b>1,887</b>
Excess (deficiency) of receipts over disbursements	35,137	669	8,105	1,859	213	(1,887)
<b>Other financing sources (uses):</b>						
Other receipts	-	-	-	-	-	5,100
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,100</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	35,137	669	8,105	1,859	213	3,213
Cash and investment fund balance - beginning	42,343	6,207	-	9,606	923	9,100
Cash and investment fund balance - ending	<u>\$ 77,480</u>	<u>\$ 6,876</u>	<u>\$ 8,105</u>	<u>\$ 11,465</u>	<u>\$ 1,136</u>	<u>\$ 12,313</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ -	\$ -	\$ 8,105	\$ 11,465	\$ 1,136	\$ 12,313
Restricted assets:						
Cash and investments	77,480	6,876	-	-	-	-
Total cash and investment assets - ending	<u>\$ 77,480</u>	<u>\$ 6,876</u>	<u>\$ 8,105</u>	<u>\$ 11,465</u>	<u>\$ 1,136</u>	<u>\$ 12,313</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	77,480	-	-	-	-	-
Culture and recreation	-	6,876	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	-	8,105	11,465	1,136	12,313
Total cash and investment fund balance - ending	<u>\$ 77,480</u>	<u>\$ 6,876</u>	<u>\$ 8,105</u>	<u>\$ 11,465</u>	<u>\$ 1,136</u>	<u>\$ 12,313</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, 2009  
 (Continued)

	Riverboat	HMGP Flood Grant #2	Fire Report	Rainy Day	K-9	Operation Pullover
<b>Receipts:</b>						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	59,627	-	-	48,161	-	5,739
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	15	-	-	-
Other	-	-	-	-	1,100	-
<b>Total receipts</b>	<b>59,627</b>	<b>-</b>	<b>15</b>	<b>48,161</b>	<b>1,100</b>	<b>5,739</b>
<b>Disbursements:</b>						
General government	33,888	-	-	12,400	-	-
Public safety	-	-	-	-	-	5,618
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
<b>Total disbursements</b>	<b>33,888</b>	<b>-</b>	<b>-</b>	<b>12,400</b>	<b>-</b>	<b>5,618</b>
Excess (deficiency) of receipts over disbursements	25,739	-	15	35,761	1,100	121
<b>Other financing sources (uses):</b>						
Other receipts	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25,739	-	15	35,761	1,100	121
Cash and investment fund balance - beginning	161,076	153,477	469	-	156	2
Cash and investment fund balance - ending	<u>\$ 186,815</u>	<u>\$ 153,477</u>	<u>\$ 484</u>	<u>\$ 35,761</u>	<u>\$ 1,256</u>	<u>\$ 123</u>
<b>Cash and Investment Assets - Ending</b>						
Cash and investments	\$ 186,815	\$ 153,477	\$ 484	\$ 35,761	\$ 1,256	\$ -
Restricted assets:						
Cash and investments	-	-	-	-	-	123
<b>Total cash and investment assets - ending</b>	<u>\$ 186,815</u>	<u>\$ 153,477</u>	<u>\$ 484</u>	<u>\$ 35,761</u>	<u>\$ 1,256</u>	<u>\$ 123</u>
<b>Cash and Investment Fund Balance - Ending</b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	186,815	153,477	484	35,761	1,256	-
<b>Total cash and investment fund balance - ending</b>	<u>\$ 186,815</u>	<u>\$ 153,477</u>	<u>\$ 484</u>	<u>\$ 35,761</u>	<u>\$ 1,256</u>	<u>\$ 123</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, 2009  
 (Continued)

	Trees - New Construction	Police Nonreverting	Boy Scout Cabin Project	Cumulative Capital Improvement	Totals
<b>Receipts:</b>					
Licenses and permits	\$ 2,300	\$ -	\$ -	\$ -	\$ 6,660
Intergovernmental	-	-	-	29,216	654,402
Charges for services	-	-	-	-	5,517
Fines and forfeits	-	141	-	-	1,399
Other	-	2,100	8,234	-	15,797
<b>Total receipts</b>	<b>2,300</b>	<b>2,241</b>	<b>8,234</b>	<b>29,216</b>	<b>683,775</b>
<b>Disbursements:</b>					
General government	-	1,000	9,785	60,745	117,818
Public safety	-	-	-	-	485,590
Culture and recreation	-	-	-	-	3,074
Urban redevelopment and housing	14,813	-	-	-	14,813
<b>Total disbursements</b>	<b>14,813</b>	<b>1,000</b>	<b>9,785</b>	<b>60,745</b>	<b>621,295</b>
Excess (deficiency) of receipts over disbursements	(12,513)	1,241	(1,551)	(31,529)	62,480
<b>Other financing sources (uses):</b>					
Other receipts	-	-	-	-	5,100
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,100</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(12,513)	1,241	(1,551)	(31,529)	67,580
Cash and investment fund balance - beginning	12,714	6,014	2,998	159,474	564,559
Cash and investment fund balance - ending	<u>\$ 201</u>	<u>\$ 7,255</u>	<u>\$ 1,447</u>	<u>\$ 127,945</u>	<u>\$ 632,139</u>
<b><u>Cash and Investment Assets - Ending</u></b>					
Cash and investments	\$ 201	\$ 7,255	\$ -	\$ -	\$ 418,268
Restricted assets:					
Cash and investments	-	-	1,447	127,945	213,871
<b>Total cash and investment assets - ending</b>	<u>\$ 201</u>	<u>\$ 7,255</u>	<u>\$ 1,447</u>	<u>\$ 127,945</u>	<u>\$ 632,139</u>
<b><u>Cash and Investment Fund Balance - Ending</u></b>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 123
Highways and streets	-	-	-	-	77,480
Culture and recreation	-	-	-	-	6,876
Capital outlay	-	-	1,447	127,945	129,392
Unrestricted	201	7,255	-	-	418,268
<b>Total cash and investment fund balance - ending</b>	<u>\$ 201</u>	<u>\$ 7,255</u>	<u>\$ 1,447</u>	<u>\$ 127,945</u>	<u>\$ 632,139</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, 2009

	Police Officers' Pension	Firefighters' Pension	Totals
Additions:			
Contributions:			
State	\$ 300,461	\$ 151,333	\$ 451,794
Investment receipts:			
Interest	6,688	2,474	9,162
Total additions	307,149	153,807	460,956
Deductions:			
Benefits	280,033	155,269	435,302
Administrative and general	100	100	200
Total deductions	280,133	155,369	435,502
Excess (deficiency) of total additions over total deductions	27,016	(1,562)	25,454
Cash and investment fund balance - beginning	595,690	348,791	944,481
Cash and investment fund balance - ending	\$ 622,706	\$ 347,229	\$ 969,935

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, 2009

	<u>Police DARE</u>	<u>Fire Nonreverting Donations</u>	<u>Park Donation</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 1,350	\$ 567	\$ 4,436	\$ 6,353
Deductions:				
Administrative and general	<u>1,208</u>	-	<u>1,875</u>	<u>3,083</u>
Excess of total additions over total deductions	142	567	2,561	3,270
Cash and investment fund balance - beginning	<u>605</u>	<u>2,041</u>	<u>2,490</u>	<u>5,136</u>
Cash and investment fund balance - ending	<u>\$ 747</u>	<u>\$ 2,608</u>	<u>\$ 5,051</u>	<u>\$ 8,406</u>

CITY OF DECATUR  
COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
AGENCY FUND  
For The Year Ended December 31, 2009

	<u>Payroll</u>
Additions:	
Agency fund additions	\$ <u>5,116,006</u>
Deductions:	
Agency fund deductions	<u>5,115,260</u>
Excess of total additions over total deductions	746
Cash and investment fund balance - beginning	<u>54,256</u>
Cash and investment fund balance - ending	<u>\$ <u>55,002</u></u>

CITY OF DECATUR  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2009

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	4,160,486
Buildings	1,519,168
Improvements other than buildings	639,611
Machinery and equipment	<u>4,985,114</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 15,549,496</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	5,920,661
Machinery and equipment	<u>1,585,859</u>
Total Water Utility capital assets	<u>8,111,831</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	15,800
Capital assets, being depreciated:	
Buildings	10,744,714
Improvements other than buildings	15,390,665
Machinery and equipment	<u>7,901,456</u>
Total Wastewater Utility capital assets	<u>34,052,635</u>
Storm Water Utility:	
Capital assets, being depreciated:	
Improvements other than buildings	96,875
Machinery and equipment	<u>97,030</u>
Total Storm Water Utility capital assets	<u>193,905</u>
Total business-type activities capital assets	<u>\$ 42,358,371</u>

CITY OF DECATUR  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Loan payable:		
Building loan	\$ 96,229	\$ 99,852
Business-type activities:		
Water Utility		
Revenue bonds:		
Water tower construction and renovation	\$ 1,795,000	\$ 74,019
Wastewater Utility:		
Loans payable:		
State revolving fund loan 2004	4,894,000	223,603
State revolving fund loan 2008	8,970,000	332,746
Total business-type activities debt	<u>\$ 15,659,000</u>	<u>\$ 630,368</u>

CITY OF DECATUR  
OTHER REPORT

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

Municipal Utilities

CITY OF DECATUR  
AUDIT RESULTS AND COMMENTS

OVERPAYMENT TO POLICE PENSION RECIPIENT

An overpayment of \$1,180 was made to a surviving spouse of a retired police officer.

IC 36-8-6-9.6 (b) states in part:

". . . (2) Except as otherwise provided in this subdivision, to the surviving spouse of a member who dies after December 31, 1988, an amount per month, during the spouse's life, equal to the greater of: (A) thirty percent (30%) of the monthly pay of a first class patrolman; or (B) fifty-five percent (55%) of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death."

The City used 60% of the monthly benefit instead of the required 55%, which created the overpayment. The overpayment will be recovered by a reduction of benefits in 2010.

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

DISBURSEMENTS WITHOUT APPROPRIATIONS

Disbursements of \$12,400 were made from the Rainy Day Fund. Formal budgets and appropriations were not found to have been prepared and approved for these disbursements. The Rainy Day Fund requires formal approval by both the City Council and the Indiana Department of Local Government Finance.

IC 36-1-8-5.1 states in part: ". . . (c) The rainy day fund is subject to the same appropriation process as other funds that receive tax money."

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

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](http://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 each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are 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 each of its major federal programs 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 each of its major federal programs for the year ended December 31, 2009.

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.

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)

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 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

April 29, 2010

CITY OF DECATUR  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2009

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 JUSTICE</u>			
Direct Grant			
Bulletproof Vest Partnership Program	16.607	2009BUBX08044522	\$ 5,509
Total for federal grantor agency			<u>5,509</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		
		OP-09-01-01-43 032NH4062010-03	4,161 <u>1,578</u>
Total for federal grantor agency			<u>5,739</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>787,610</u>
Total for federal grantor agency			<u>787,610</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant			
Assistance to Firefighters Grant	97.044	EMW-2008-FR-00111	<u>421,600</u>
Total for federal grantor agency			<u>421,600</u>
Total federal awards expended			<u>\$ 1,220,458</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 cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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 programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
97.044	Assistance to Firefighters Grant

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 April 29, 2010, with John L. Schultz, Mayor; and Phyllis J. Whitright, Clerk-Treasurer.