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

EXAMINATION REPORT

OF

CITY OF DECATUR MUNICIPAL UTILITIES

ADAMS COUNTY, INDIANA

January 1, 2011 to December 31, 2011

FILED
01/07/2013

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OFFICIALS

Office	Official	Term
Clerk-Treasurer	Phyllis J. Whitright	01-01-08 to 12-31-15
Mayor	John L. Schultz	01-01-08 to 12-31-15
President of the Board of Public Works and Safety	John L. Schultz	01-01-08 to 12-31-15
President of the Common Council	John L. Schultz	01-01-08 to 12-31-15
Superintendent of Water Utility	James E. Inskeep, Jr.	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Anne L. Butcher	01-01-11 to 12-31-12
Manager of Storm Water Utility	Joan A. Eichhorn	01-01-11 to 12-14-11
	(Vacant)	12-15-11 to 08-12-12
	Nathaniel S. Rumschlag	08-13-12 to 12-31-12
Utilities Auditor	Daniel L. Rickord	01-01-11 to 12-31-12

STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the City of Decatur Municipal Utilities, major enterprise funds and departments of the City of Decatur (Utilities), as of and for the year ended December 31, 2011. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement 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 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, 2011, 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 respective financial position of the Utilities, as of December 31, 2011, 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 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 part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

November 29, 2012

CITY OF DECATUR MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2011

Assets	Water Utility	Wastewater Utility	Storm Water Utility
Current assets:			
Cash and cash equivalents	$ 639,135	$ 225,566	$ 271,748
Interest receivable	390	116	138
Accounts receivable (net of allowance)	123,423	208,009	21,840
Accounts receivable - other	9,145	1,667	-
Inventories	60,107	-	-
Total current assets	832,200	435,358	293,726
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Depreciation cash and investments	-	64,424	-
Bond and interest cash and investments	3,802	4,610	-
Construction cash and investments	-	126,639	-
Debt service reserve cash and investments	85,464	906,159	-
Interfund receivable	100,000	-	50,000
Total restricted assets	189,266	1,101,832	50,000
Deferred charges	66,596	125,330	-
Capital assets:			
Land and improvements to land	179,724	15,800	-
Other capital assets (net of accumulated depreciation)	4,772,084	23,928,579	139,314
Total capital assets	4,951,808	23,944,379	139,314
Total noncurrent assets	5,207,670	25,171,541	189,314
Total assets	6,039,870	25,606,899	483,040
Liabilities			
Current liabilities:			
Accounts payable	30,400	17,788	5,813
Taxes payable	6,073	-	-
Wages payable	13,304	14,174	1,106
Current liabilities payable from restricted assets:			
Revenue bonds payable	35,000	-	-
Loans payable	-	312,000	-
Total current liabilities	84,777	343,962	6,919
Noncurrent liabilities:			
Revenue bonds payable	1,620,000	-	-
Loans payable	-	12,361,000	-
Compensated absences	17,571	22,943	175
Interfund payable	-	150,000	-
Total noncurrent liabilities	1,637,571	12,533,943	175
Total liabilities	1,722,348	12,877,905	7,094
Net Assets			
Invested in capital assets, net of related debt	3,296,808	11,271,379	139,314
Restricted for debt service	89,266	910,769	-
Restricted for construction	-	126,639	-
Restricted for other purposes	-	64,424	-
Unrestricted	931,448	355,783	336,632
Total net assets	$ 4,317,522	$ 12,728,994	$ 475,946

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

CITY OF DECATUR MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2011

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Measured revenue:			
Residential, commercial and industrial	$ 1,354,064	$ 1,886,290	$ -
Fire protection revenue	179,073	-	-
Penalties	8,003	34,126	1,914
Flat rate revenues	-	-	207,441
Other	47,266	46,610	5,489
Total operating revenues	1,588,406	1,967,026	214,844
Operating expenses:			
Source of supply and expense - operations and maintenance	24,665	-	-
Transmission and distribution	391,577	-	-
Water - operations and maintenance	442,376	-	-
Collection system - operations and maintenance	-	80,109	-
Treatment and disposal - operations and maintenance	-	630,266	-
Operations and maintenance	-	-	100,416
Customer accounts	120,551	97,272	27,553
Administration and general	150,067	219,697	36,574
Depreciation	216,372	957,060	14,091
Total operating expenses	1,345,608	1,984,404	178,634
Operating income (loss)	242,798	(17,378)	36,210
Nonoperating revenues (expenses):			
Interest and investment revenue	3,790	3,206	1,666
Interest expense	(74,319)	(508,651)	-
Miscellaneous expense	(4,367)	(10,427)	-
Total nonoperating revenues (expenses)	(74,896)	(515,872)	1,666
Income (loss) before contributions	167,902	(533,250)	37,876
Capital contributions	825	13,167	-
Change in net assets	168,727	(520,083)	37,876
Total net assets - beginning	4,148,795	13,249,077	438,070
Total net assets - ending	$ 4,317,522	$ 12,728,994	$ 475,946

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, 2011

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	$ 1,578,926	$ 1,949,420	$ 211,798
Payments to suppliers and contractors	(491,559)	(475,990)	(61,851)
Payments to employees	(631,629)	(545,748)	(102,102)
Net cash provided by operating activities	455,738	927,682	47,845
Cash flows from noncapital financing activities:			
Interfund loans	(100,000)	150,000	(50,000)
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(8,689)	(38,690)	(3,951)
Principal paid on capital debt	(70,000)	(903,000)	-
Interest paid on capital debt	(74,319)	(771,502)	-
Net cash used by capital and related financing activities	(153,008)	(1,713,192)	(3,951)
Cash flows from investing activities:			
Interest received	3,722	3,560	1,676
Net increase (decrease) in cash and cash equivalents	206,452	(631,950)	(4,430)
Cash and cash equivalents, January 1	521,949	1,959,348	276,178
Cash and cash equivalents, December 31	$ 728,401	$ 1,327,398	$ 271,748
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 242,798	$ (17,378)	$ 36,210
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	216,372	957,060	14,091
(Increase) decrease in assets:			
Accounts receivable	(2,511)	(25,717)	(3,046)
Accounts receivable - other	(6,969)	8,111	-
Inventories	9,496	-	-
Increase (decrease) in liabilities:			
Accounts payable	(328)	3,889	2,629
Taxes payable	(5,582)	-	-
Wages payable	1,608	1,143	(1,141)
Compensated absence payable	854	574	(898)
Total adjustments	212,940	945,060	11,635
Net cash provided by operating activities	$ 455,738	$ 927,682	$ 47,845
Noncash investing, capital and financing activities:			
Capital assets acquired through contributions	$ 825	$ 13,167	$ -

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Decatur Municipal Utilities (Utilities) and are not intended to present fairly the financial 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 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.

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 Utilities have elected not to follow subsequent private-sector guidance.

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.

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

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.

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 because their use is limited by applicable bond covenants.

The financial statements report restricted net assets of $89,266; $1,101,832 and $0 for water, wastewater, and storm water, respectively, all of which is restricted by enabling legislation.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Water Utility:			
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.

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.

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

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk. At December 31, 2011, the Utilities had deposit balances in the amount of $728,401; $1,327,398; and $271,748, for water, wastewater, and Storm water utilities, respectively.

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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	$ 179,724	$ -	$ -	$ 179,724
Capital assets, being depreciated:				
Buildings	425,587	-	-	425,587
Improvements other than buildings	5,920,660	1,651	-	5,922,311
Machinery and equipment	1,610,351	7,863	-	1,618,214
Totals	7,956,598	9,514	-	7,966,112
Less accumulated depreciation for:				
Buildings	308,044	9,116	-	317,160
Improvements other than buildings	1,779,061	134,935	(5,967)	1,919,963
Machinery and equipment	890,551	72,321	5,967	956,905
Totals	2,977,656	216,372	-	3,194,028
Total capital assets, being depreciated, net	4,978,942	225,886	-	4,772,084
Total capital assets, net	$ 5,158,666	$ (206,858)	$ -	$ 4,951,808

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	$ 15,800	$ -	$ -	$ 15,800
Capital assets, being depreciated:				
Buildings	10,750,657	8,416	-	10,759,073
Improvements other than buildings	15,390,665	13,167	-	15,403,832
Machinery and equipment	7,927,946	30,274	1,577	7,956,643
Totals	34,069,268	51,857	1,577	34,119,548
Less accumulated depreciation for:				
Buildings	2,892,194	336,528	-	3,228,722
Improvements other than buildings	2,562,793	150,899	-	2,713,692
Machinery and equipment	3,778,922	469,633	-	4,248,555
Totals	9,233,909	957,060	-	10,190,969
Total capital assets, being depreciated, net	24,835,359	(905,203)	1,577	23,928,579
Total capital assets, net	$ 24,851,159	$ (905,203)	$ 1,577	$ 23,944,379

	Beginning Balance	Increases	Decreases	Ending Balance
Storm Water Utility:				
Capital assets, being depreciated:				
Improvements other than buildings	$ 127,850	$ 3,951	$ -	$ 131,801
Machinery and equipment	97,904	-	-	97,904
Totals	225,754	3,951	-	229,705
Less accumulated depreciation for:				
Improvements other than buildings	6,246	5,245	-	11,491
Machinery and equipment	70,054	8,846	-	78,900
Totals	76,300	14,091	-	90,391
Total capital assets, net	$ 149,454	$ (10,140)	$ -	$ 139,314

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

Water	$ 216,372
Water Utility	957,060
Storm Water	14,091
Total depreciation expense	$ 1,187,523

C. Interfund Balances and Activity

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2011, is as follows:

Interfund Receivable	Interfund Payable	
Water Utility	Wastewater Utility	$ 100,000
Storm Water Utility	Wastewater Utility	50,000
Total		$ 150,000

Interfund balances resulted from the time lag between the dates that (1) interfund loans are repaid, (2) interfund goods and services are provided or reimbursable expenditures occur, (3) transactions are recorded in the accounting system and (4) payments between funds are made.

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:

Water Utility Purpose	Interest Rates	Amount
2007 Water tower construction and renovation	4.25% to 4.50%	$ 1,655,000

Revenue bonds debt service requirements to maturity are as follows:

	Principal	Interest
Water Utility:		
2012	$ 35,000	$ 36,044
2013	75,000	69,856
2014	80,000	66,563
2015	80,000	63,163
2016	85,000	59,762
2017-2021	485,000	240,362
2022-2026	605,000	124,159
2027-2028	210,000	9,450
Totals	$ 1,655,000	$ 669,359

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 were loaned to the Utility as construction costs were accrued to the maximum amount. The 2004 loan established a maximum draw of $5,910,000, of which $4,334,000 is still outstanding.

Under the terms of the 2008 State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank. The proceeds were used to finance treatment plant improvements, separation of sewer lines, and sanitary sewer system rehabilitation projects. The principal of $9,276,000 was loaned to the Utility at the inception of the agreement, of which $8,339,000 is still outstanding.

Annual debt service requirements to maturity for the loans, including interest of $1,035,570 and $3,364,041, respectively, are as follows:

	Principal	Interest
Water Utility:		
2012	$ 312,000	$ 245,610
2013	643,000	473,209
2014	668,000	448,416
2015	694,000	422,647
2016	719,000	395,902
2017-2021	4,041,000	1,540,680
2022-2026	3,723,000	738,887
2027-2029	1,873,000	134,260
Totals	$ 12,673,000	$ 4,399,611

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable:					
Water Utility	$ 1,725,000	$ -	$ 70,000	$ 1,655,000	$ 35,000
State revolving fund loans:					
Wastewater Utility	13,576,000	-	903,000	12,673,000	312,000
Compensated absences:					
Water Utility	16,717	854	-	17,571	-
Wastewater Utility	22,369	574	-	22,943	-
Storm Water Utility	1,073	-	898	175	-
Total compensated absences	40,159	1,428	898	40,689	-
Total long-term liabilities	$ 15,341,159	$ 1,428	$ 973,898	$ 14,368,689	$ 347,000

E. Restricted Assets

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

	Water Utility	Wastewater Utility	Storm Water Utility
Water Utility:	$ -	$ 64,424	$ -
Revenue bond and interest	3,802	4,610	-
Revenue bond debt service reserve	85,464	906,159	-
Revenue bond construction	-	126,639	-
Total restricted assets	$ 89,266	$ 1,101,832	$ -

F. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future operating revenues, 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 net operating revenues and are payable through 2028. Annual principal and interest payments are expected to require less than 9 percent of net operating revenues.

Wastewater Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specified operating expenditures, to repay State Revolving Fund loans issued in 2004 and 2008. Proceeds from the loans provided financing for sewer line separation. The loans are payable solely from net operating revenues and are payable through 2029. Annual principal and interest payments are expected to require less than 57 percent of net operating revenues.

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 2001, the Utilities joined the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Utilities pay an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to $1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the $1,000,000 limit.

B. Subsequent Events

Wastewater Utility

On October 16, 2012, the Common Council approved Ordinance 2012-12 authorizing a 37 percent Phase I rate increase effective after October 16, 2012. An additional 4 percent Phase II and 7 percent Phase III rate increase will also be implemented within two years from the effective date. In conjunction with the rate increase, capital improvements to the system were proposed to be ultimately financed by revenue bonds estimated at $3,930,000.

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Common Council on December 15, 2009. The Utility has 4,345 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on June 3, 2008. The Utility has 4,443 customers.

3. Storm Water Utility

The current rate structure was approved by the Common Council on July 20, 2004. The Utility has 4,087 customers.

D. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

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 and is not presented as an asset/liability of the proprietary funds.

MALFEASANCE, MISFEASANCE, OR NONFEASANCE

Joan A. Eichhorn, former Manager of the Storm Water Utility, traveled to Florida for purposes not related to the functions and purposes of the Storm Water Utility. These trips were not charged as vacation time while traveling to Florida. Had these hours been charged to vacation time, she would have exceeded her two weeks of vacation time earned each year.

Dates	Hours	Hourly Pay	Total
02-19-08 to 02-22-08	32	$ 18.05	$ 577.60
02-17-09 to 02-20-09	32	18.59	594.88
02-16-10 to 02-19-10	32	18.59	594.88
03-01-11 to 03-04-11	32	18.59	594.88
Total			$ 2,362.24

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Joan A. Eichhorn, former Manager of the Storm Water Utility, was requested to reimburse the Storm Water Utility $2,362.24 for vacation time spent in Florida that was paid as regular time worked. Ms. Eichhorn made payment to the City on December 11, 2012, in the amount of $2,362.24. (See Summary of Charges, page 21)

PERSONAL EXPENSES

Joan A. Eichhorn, former Manager of the Storm Water Utility, was reimbursed $4,972.29 for travel expenses that were not for Storm Water Utility purposes. The travel expenses were for trips to Florida and were for the years 2008 ($1,229.02), 2009 ($1,168.20), 2010 ($1,322.76) and 2011 ($1,252.31). The City determined that these trips were for personal reasons. Joan A. Eichhorn signed an "Acknowledgment of Voluntary Termination of Employment and Consequences Thereof" and "Letter of Resignation" on December 14, 2011. On December 15, 2011, the Storm Water Utility received $4,972.29 from Joan A. Eichhorn as reimbursement for these travel expenses.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties of $874 were paid to the Indiana Department of Revenue during 2011 for underpayment of quarterly estimated utility receipts tax for the years 2009 and 2010.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment appeared in prior Report B39791.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

(C) The amount of the delinquent fees, together with the penalty.

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

LOST WATER

During 2011, the Water Utility reported a total of 660,935,400 gallons of water pumped from the wells to the water treatment plants. Of this amount, 332,010,034 gallons, representing 50 percent of the total gallons pumped, were either being used at the plants or were unaccounted for (not billed to users). This unaccounted for water results in a loss of revenue to the utility and should be investigated to determine if there are any leaks, faulty meters or unauthorized use of water. A similar comment appeared in prior Report B39791.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INSURANCE COVERAGE

The Utilities did not maintain an insurance policy that covers the faithful performance of its employees.

All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-4-1-18(b) states in part: "The fiscal body of a city . . . may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees . . . of the local governmental unit . . . "

CITY OF DECATUR MUNICIPAL UTILITIES
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2012, with Phyllis J. Whitright, Clerk-Treasurer; John L. Schultz, Mayor; and Daniel L. Rickord, Utilities Auditor.

CITY OF DECATUR MUNICIPAL UTILITIES
SUMMARY OF CHARGES

	Charges	Credits	Balance Due
Joan A. Eichhorn, former Manager of the Storm Water Utility:			
Malfeasance, Misfeasance, or Nonfeasance, page 17	$ 2,362.24	$	$
Repaid by Joan A. Eichhorn, December 11, 2012, Receipt No. 12119		2,362.24	-
Totals	$ 2,362.24	$ 2,362.24	$ -

This report was forwarded to the local prosecuting attorney.