

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

EXAMINATION REPORT  
OF  
CITY OF MARION MUNICIPAL UTILITIES  
GRANT COUNTY, INDIANA  
January 1, 2012 to December 31, 2012



**FILED**  
09/25/2013



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## OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Utilities Director	William M. McElhaney John C. Binkerd	01-01-12 to 08-31-12 09-01-12 to 12-31-13
Office Manager	Mendy S. Cox	01-01-12 to 12-31-13
Controller	Cindy Wright (Vacant) Tameria N. Miller	01-01-12 to 03-08-13 03-09-13 to 03-31-13 04-01-13 to 12-31-13
Mayor	Wayne W. Seybold	01-01-12 to 12-31-15
President of the Utility Service Board	Robert J. Logan	01-01-12 to 12-31-13
President of the Board of Public Works and Safety	Thomas J. Reto	01-01-12 to 12-31-13
President of the Common Council	Donald W. Batchelor	01-01-12 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF MARION MUNICIPAL UTILITIES, GRANT COUNTY, INDIANA

We have examined the accompanying financial statements of the Water Utility, Wastewater Utility, and Storm Water Utility (Utilities), major enterprise funds and departments of the City of Marion (City), as of and for the year ended December 31, 2012. 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 statements 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 Marion as of December 31, 2012, 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, 2012, 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

August 13, 2013

CITY OF MARION MUNICIPAL UTILITIES  
STATEMENT OF NET POSITION  
December 31, 2012

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Current assets:			
Cash and cash equivalents	\$ 316,350	\$ 450,342	\$ 76,434
Accounts receivable (net of allowance)	388,971	365,653	326,584
Inventories	105,542	7,117	34,357
Prepaid items	48,607	20,313	7,205
Loan receivable	250,000	100,000	-
Other receivables	641	2,152	2,170
	<u>1,110,111</u>	<u>945,577</u>	<u>446,750</u>
Total current assets			
Noncurrent assets:			
Restricted cash and cash equivalents:			
Depreciation cash and cash equivalents	170,898	441,874	121,138
Bond and interest cash and cash equivalents	-	-	261,374
Bond and interest reserve cash and cash equivalents	-	-	429,920
Construction cash and cash equivalents	797,819	856,057	238,209
Customer deposits cash and cash equivalents	245,244	226,405	-
Quail Hollow cash and cash equivalents	21,700	-	-
Equipment reserve cash and cash equivalents	-	-	72,001
Loan receivable	300,000	250,000	100,000
	<u>1,535,661</u>	<u>1,774,336</u>	<u>1,222,642</u>
Total restricted assets			
Capital assets:			
Land and construction in progress	2,094,485	604,016	140,866
Other capital assets (net of accumulated depreciation)	22,632,893	23,647,745	8,927,433
	<u>24,727,378</u>	<u>24,251,761</u>	<u>9,068,299</u>
Total capital assets			
Total noncurrent assets			
	<u>26,263,039</u>	<u>26,026,097</u>	<u>10,290,941</u>
Total assets			
	<u>27,373,150</u>	<u>26,971,674</u>	<u>10,737,691</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	118,189	109,041	29,129
Wages payable	41,631	40,692	21,862
Taxes payable	20,866	-	-
Compensated absences payable	76,524	53,022	42,091
Current liabilities payable from restricted assets:			
Accounts payable	5,788	-	-
Contracts payable	84,249	58,074	-
Customer deposits payable	245,244	226,405	-
Loan payable	-	-	332,498
	<u>592,491</u>	<u>487,234</u>	<u>425,580</u>
Total current liabilities			
Noncurrent liabilities:			
Loan payable	-	-	1,815,144
	<u>592,491</u>	<u>487,234</u>	<u>2,240,724</u>
Total liabilities			
	<u>592,491</u>	<u>487,234</u>	<u>2,240,724</u>
<u>Net Position</u>			
Net investment in capital assets	24,727,378	24,251,761	6,920,657
Restricted for debt service	-	-	691,294
Unrestricted	2,053,281	2,232,679	885,016
	<u>\$ 26,780,659</u>	<u>\$ 26,484,440</u>	<u>\$ 8,496,967</u>
Total net position			

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

CITY OF MARION MUNICIPAL UTILITIES  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
As Of And For The Year Ended December 31, 2012

	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:			
Unmetered revenue	\$ 22,869	\$ -	\$ -
Measured revenue:			
Residential	2,217,912	2,305,855	613,498
Industrial	231,255	184,949	301,329
Commercial	610,921	748,747	645,236
Institutional	449,454	632,574	315,072
Other	22,707	49,590	-
Fire protection revenue	785,508	-	-
Forfeited discounts	36,344	89,936	38,808
Other	46,837	128,975	6,117
	<u>4,423,807</u>	<u>4,140,626</u>	<u>1,920,060</u>
Total operating revenues			
Operating expenses:			
Wells - operation	100,595	-	-
Wells - maintenance	106,389	-	-
Treatment plant - operation	675,664	978,613	-
Treatment plant - maintenance	551,283	526,708	-
Distribution - operation	86,718	-	-
Distribution - maintenance	597,235	-	-
Sewer - operation	-	-	74,536
Sewer - maintenance	-	1,976	673,057
Laboratory expenses	-	246,024	-
Customer accounts	503,319	289,290	57,634
Administration and general	443,641	333,410	436,581
Bad debt expense	22,699	5,543	9,216
Depreciation	962,155	937,278	309,896
Taxes	59,700	-	-
	<u>4,109,398</u>	<u>3,318,842</u>	<u>1,560,920</u>
Total operating expenses			
Operating income	<u>314,409</u>	<u>821,784</u>	<u>359,140</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	12,107	9,030	8,543
Miscellaneous revenue	35,262	-	-
Gain (loss) on disposal of capital assets	3,840	11,000	(5,475)
Interest expense	-	-	(66,965)
	<u>51,209</u>	<u>20,030</u>	<u>(63,897)</u>
Total nonoperating revenues (expenses)			
Income before contributions	365,618	841,814	295,243
Capital contributions from Storm Water Utility	-	178,154	(178,154)
Change in net position	365,618	1,019,968	117,089
Total net position - beginning	<u>26,415,041</u>	<u>25,464,472</u>	<u>8,379,878</u>
Total net position - ending	<u>\$ 26,780,659</u>	<u>\$ 26,484,440</u>	<u>\$ 8,496,967</u>

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

CITY OF MARION MUNICIPAL UTILITIES  
STATEMENT OF CASH FLOWS  
As Of And For The Year Ended December 31, 2012

	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,440,436	\$ 4,086,399	\$ 1,881,351
Payments to suppliers and contractors	(1,423,821)	(708,731)	(358,847)
Payments to employees for wages and benefits	<u>(1,627,636)</u>	<u>(1,643,080)</u>	<u>(870,243)</u>
Net cash provided by operating activities	<u>1,388,979</u>	<u>1,734,588</u>	<u>652,261</u>
Cash flows from noncapital financing activities:			
Loans to the City of Marion	(1,050,000)	(600,000)	(350,000)
Loan repayments from the City of Marion	<u>500,000</u>	<u>250,000</u>	<u>250,000</u>
Net cash used by noncapital financing activities	<u>(550,000)</u>	<u>(350,000)</u>	<u>(100,000)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,543,617)	(569,121)	(619,669)
Principal paid on capital debt	-	-	(322,994)
Interest paid on capital debt	-	-	(66,965)
Proceeds from sale of capital assets	-	11,000	-
Nonoperating receipts	<u>35,262</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,508,355)</u>	<u>(558,121)</u>	<u>(1,009,628)</u>
Cash flows from investing activities:			
Interest received	<u>12,107</u>	<u>9,030</u>	<u>8,543</u>
Net increase (decrease) in cash and cash equivalents	(657,269)	835,497	(448,824)
Cash and cash equivalents, January 1	<u>2,209,280</u>	<u>1,139,181</u>	<u>1,647,900</u>
Cash and cash equivalents, December 31	<u>\$ 1,552,011</u>	<u>\$ 1,974,678</u>	<u>\$ 1,199,076</u>
Unrestricted cash and cash equivalents	\$ 316,350	\$ 450,342	\$ 76,434
Restricted cash and cash equivalents	<u>1,235,661</u>	<u>1,524,336</u>	<u>1,122,642</u>
Cash and cash equivalents, December 31	<u>\$ 1,552,011</u>	<u>\$ 1,974,678</u>	<u>\$ 1,199,076</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 314,409	\$ 821,784	\$ 359,140
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	962,155	937,278	309,896
Bad debt expense	22,699	5,543	9,216
(Increase) decrease in assets:			
Accounts receivable	(5,491)	(65,790)	(38,633)
Inventories	7,341	(2,761)	(2,978)
Prepaid items	(14,283)	3,701	(53)
Other receivables	14,312	1,383	(77)
Increase (decrease) in liabilities:			
Accounts payable	68,207	35,593	15,966
Wages payable	8,175	(975)	588
Taxes payable	(111)	-	-
Compensated absences payable	3,758	(11,348)	(804)
Customer deposits	<u>7,808</u>	<u>10,180</u>	<u>-</u>
Total adjustments	<u>1,074,570</u>	<u>912,804</u>	<u>293,121</u>
Net cash provided by operating activities	<u>\$ 1,388,979</u>	<u>\$ 1,734,588</u>	<u>\$ 652,261</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through contracts payable	\$ 84,249	\$ 58,074	\$ -
Capital assets acquired through trade-ins	6,000	-	55,000
Transfer of capital assets	-	178,154	(178,154)

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

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the City of Marion Municipal Utilities (Utilities) and are not intended to present fairly the position of the City of Marion (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 Position; Statement of Revenues, Expenses, and Changes in Net Position; 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.

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 Position 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.

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

2. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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 Position because their use is limited by applicable bond covenants.

The financial statements report restricted net assets of \$0; \$0; and \$691,294 for water, wastewater, and storm water, respectively, of which \$691,294 is restricted for storm water 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	50 years
Infrastructure	5,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5-20 years
Transportation equipment	5,000	Straight-line	10 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 7 days per year. Unused sick leave may be accumulated to a maximum of 37 days. Accumulated sick leave is not paid to employees upon termination, but is paid through cash payments upon retirement.

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

- b. Annual Leave – Utility employees earn annual leave at rates from 11 days to 31 days per year based upon the number of years of service. Annual leave may be accumulated to a maximum of the current year's entitlement. Accumulated vacation leave is paid to employees through cash payments upon termination or retirement.

Sick leave and annual leave is accrued when incurred and reported as a liability.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts 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.

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, 2012, the deposit balances were \$1,552,011, \$1,974,678, and \$1,199,076, for the 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. Loans Receivable

Loans totaling \$2,000,000 were made to the City of Marion (City) in 2012. The City repaid \$1,000,000 during the year. At December 31, 2012, the Utilities had loans receivable of \$1,000,000 (Water Operating \$250,000; Water Construction \$300,000; Wastewater Operating \$100,000; Wastewater Construction \$250,000; Storm Water Construction \$100,000).

C. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 340,174	\$ -	\$ -	\$ 340,174
Construction in progress	<u>667,679</u>	<u>1,414,745</u>	<u>328,113</u>	<u>1,754,311</u>
Total capital assets, not being depreciated	<u>1,007,853</u>	<u>1,414,745</u>	<u>328,113</u>	<u>2,094,485</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility (continued):				
Capital assets, being depreciated:				
Buildings	9,523,298	83,019	-	9,606,317
Infrastructure	35,120,977	250,979	6,455	35,365,501
Machinery and equipment	1,443,047	6,767	-	1,449,814
Transportation equipment	616,587	184,711	10,800	790,498
Totals	46,703,909	525,476	17,255	47,212,130
Less accumulated depreciation for:				
Buildings	5,349,237	188,159	-	5,537,396
Infrastructure	17,295,515	591,502	6,455	17,880,562
Machinery and equipment	536,548	137,734	-	674,282
Transportation equipment	450,877	44,760	8,640	486,997
Totals	23,632,177	962,155	15,095	24,579,237
Total capital assets, being depreciated, net	23,071,732	(436,679)	2,160	22,632,893
Total capital assets, net	\$ 24,079,585	\$ 978,066	\$ 330,273	\$ 24,727,378
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Construction in progress	25	597,513	18,522	579,016
Total capital assets, not being depreciated	25,025	597,513	18,522	604,016
Capital assets, being depreciated:				
Buildings	22,701,278	-	-	22,701,278
Infrastructure	25,168,926	196,676	3,616	25,361,986
Machinery and equipment	684,376	17,782	5,000	697,158
Transportation equipment	693,279	11,900	76,000	629,179
Totals	49,247,859	226,358	84,616	49,389,601
Less accumulated depreciation for:				
Buildings	13,100,862	442,352	-	13,543,214
Infrastructure	10,814,866	432,294	3,616	11,243,544
Machinery and equipment	373,967	40,862	5,000	409,829
Transportation equipment	599,499	21,770	76,000	545,269
Totals	24,889,194	937,278	84,616	25,741,856
Total capital assets, being depreciated, net	24,358,665	(710,920)	-	23,647,745
Total capital assets, net	\$ 24,383,690	\$ (113,407)	\$ 18,522	\$ 24,251,761

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Storm Water Utility:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 195,316	\$ 54,450	\$ 140,866
Capital assets, being depreciated:				
Infrastructure	13,316,641	54,450	-	13,371,091
Machinery and equipment	252,530	-	-	252,530
Transportation equipment	<u>650,279</u>	<u>301,199</u>	<u>201,583</u>	<u>749,895</u>
Totals	<u>14,219,450</u>	<u>355,649</u>	<u>201,583</u>	<u>14,373,516</u>
Less accumulated depreciation for:				
Infrastructure	4,578,917	232,028	-	4,810,945
Machinery and equipment	181,220	11,026	-	192,246
Transportation equipment	<u>517,158</u>	<u>66,842</u>	<u>141,108</u>	<u>442,892</u>
Totals	<u>5,277,295</u>	<u>309,896</u>	<u>141,108</u>	<u>5,446,083</u>
Total capital assets, being depreciated, net	<u>8,942,155</u>	<u>45,753</u>	<u>60,475</u>	<u>8,927,433</u>
Total capital assets, net	<u>\$ 8,942,155</u>	<u>\$ 241,069</u>	<u>\$ 114,925</u>	<u>\$ 9,068,299</u>

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

Water	\$ 962,155
Wastewater	937,278
Storm Water	<u>309,896</u>
Total depreciation expense	<u>\$ 2,209,329</u>

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>2012</u>	
	<u>Expended to December 31,</u>	<u>Committed</u>
Water Utility:		
Filter Upgrade	\$ 889,392	\$ 2,500,008
Claricone Cover	710,296	5,004
HVAC Administration Building 17th and Jackson	<u>137,998</u>	<u>2,002</u>
	<u>16,625</u>	<u>800</u>
Totals	<u>\$ 1,754,311</u>	<u>\$ 2,507,814</u>

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

<u>Project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
Wastewater Utility:		
HVAC Administration Building	\$ 151,871	\$ 16,129
Screening Project	106,766	366,990
Butler Street	1,495	147,563
Pump Station Headworks	10,447	2,989,553
Digester Lid Rehabilitation	<u>308,437</u>	<u>147,173</u>
Totals	<u>\$ 579,016</u>	<u>\$ 3,667,408</u>
Storm Water Utility:		
Relining D Street	\$ 140,770	\$ 97,850
Garfield to Nebraska	<u>96</u>	<u>158,187</u>
Totals	<u>\$ 140,866</u>	<u>\$ 256,037</u>

E. Operating Lease

The Water Utility has entered into an operating lease having initial or remaining noncancelable terms exceeding one year for a mailing system. Rental expenditures for this lease were \$2,064. The following is a schedule by years of future minimum rental payments as of December 31, 2012:

	<u>Water Utility</u>
2013	\$ 2,064
2014	2,064
2015	2,064
2016	<u>2,064</u>
Total	<u>\$ 8,256</u>

F. Long-Term Liabilities

1. Loan Payable

The Storm Water Utility has entered into a State Revolving Fund loan. Annual debt service requirements to maturity for the loan, including interest of \$192,111, are as follows:

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

	Storm Water Utility	
	Principal	Interest
2013	\$ 332,498	\$ 31,141
2014	342,283	52,639
2015	352,355	42,713
2016	362,724	32,495
2017	373,397	21,976
2018	384,385	11,147
Totals	\$ 2,147,642	\$ 192,111

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loan payable:					
Storm Water Utility	\$2,470,636	\$ -	\$ 322,994	\$2,147,642	\$ 332,498

G. Restricted Assets

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

	Water Utility	Wastewater Utility	Storm Water Utility
Customer deposits	\$ 245,244	\$ 226,405	\$ -
Bond and interest	-	-	261,374
Bond and interest reserve	-	-	429,920
Internally restricted	1,290,417	1,547,931	531,348
Total restricted assets	\$ 1,535,661	\$ 1,774,336	\$ 1,222,642

H. Revenues Pledged

The Storm Water Utility has pledged future operating revenues, net of specified operating expenditures, to repay the State Revolving Fund loan received in 2001. Proceeds from the loan provided financing for storm water infrastructure improvements. The loan is payable solely from net operating revenues and is payable through 2018. Annual principal and interest payments are expected to require less than 20 percent of net revenues.

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

III. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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 3 years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on March 30, 2005. The Utility has approximately 11,185 customers.

2. Wastewater Utility

The current rate structure was approved by the City of Marion Common Council on February 15, 2011. The Utility has approximately 10,885 customers.

3. Storm Water Utility

The current rate structure was approved by the City of Marion Common Council on November 16, 1994. The Utility has approximately 13,385 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in 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 3 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. That report may be obtained by contacting:

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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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 is considered an obligation of the City as a whole and is not presented as an asset/liability of the proprietary funds.

CITY OF MARION MUNICIPAL UTILITIES  
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2013, with John C. Binkerd, Utilities Director, and Shana J. Martin, Bookkeeper. Our examination disclosed no material items that warrant comment at this time.