

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

FINANCIAL STATEMENT AUDIT REPORT

OF

CITY OF MARION MUNICIPAL UTILITIES

GRANT COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**

10/11/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Julie L. Flores	01-01-18 to 12-31-19
Mayor	Jess Alumbaugh	01-01-16 to 12-31-19
President of the Utility Service Board	Robert J. Logan	01-01-18 to 12-31-19
President of the Board of Public Works and Safety	Linda S. Wilk Joselyn Whitticker	01-01-18 to 12-31-18 01-01-19 to 12-31-19
President of the Common Council	Brad Luzzader Alan Miller	01-01-18 to 12-31-18 01-01-19 to 12-31-19
Utilities Director	John C. Binkerd	01-01-18 to 12-31-19
Executive Director/Administrative Assistant	Misty D. Humphries	01-01-18 to 12-31-19



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the City of Marion Municipal Utilities (Utilities), which comprises the financial position and results of operations for the year ended December 31, 2018, and the related notes to the financial statement as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utilities' preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the Utilities prepare its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis of accounting noted above is a different basis than that used in the prior year.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Utilities for the year ended December 31, 2018.


***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Utilities for the year ended December 31, 2018, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Utilities' financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

August 27, 2019

## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Utilities. The financial statement and notes are presented as intended by the Utilities.

CITY OF MARION MUNICIPAL UTILITIES  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
WW Bond Reserves	\$ 608,513	\$ -	\$ -	\$ 608,513
Storm Water Operating	207,145	1,182,355	1,186,374	203,126
Storm Water Depreciation	186,734	376,748	405,820	157,662
Stormwater Operating Petty Cash	-	200	-	200
Storm Wrt Depr Equip Res	424,238	437,349	-	861,587
Storm Water Construction	748,870	437,349	688,323	497,896
Waste Water Operation	224,387	3,762,730	3,364,586	622,531
Wastewater Customer Dep	242,939	49,044	53,936	238,047
Wastewater Depreciation	160,406	575,365	673,936	61,835
WW Bond & Interest	485,147	612,706	716,931	380,922
WW Operating Petty Cash	-	930	-	930
Wastewater Long Term Control Plan	3,005,239	1,065,444	2,934,792	1,135,891
Wastewater Construction	322,523	415,365	394,028	343,860
Water Operating	435,278	3,593,646	3,582,236	446,688
Water Consumer Deposit	261,155	55,824	60,642	256,337
Water Depreciation Fund	206,539	812,696	362,336	656,899
Water Operating Petty Cash	-	1,300	500	800
Water Quail Hollow	21,700	-	-	21,700
Water Construction	479,779	202,791	100,000	582,570
Water H2O Community	250	3,528	2,190	1,588
Solid Waste Operating Fund	259,653	1,282,656	1,330,797	211,512
Solid Waste Customer Deposits	75,164	31,936	24,338	82,762
Solid Waste Cap Lease	197,393	264,965	237,102	225,256
Solid Waste Depreciation	307,974	208,791	210,154	306,611
Totals	<u>\$ 8,861,026</u>	<u>\$ 15,373,718</u>	<u>\$ 16,329,021</u>	<u>\$ 7,905,723</u>

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

CITY OF MARION MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Utilities were established under the laws of the State of Indiana. The Utilities operate under a governing board.

The accompanying financial statement presents the financial information for the Utilities.

**B. Basis of Accounting**

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

**C. Cash and Investments**

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

**D. Receipts**

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Utility fees.* Amounts received from charges for current services.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

**E. Disbursements**

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

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

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. *Interfund Transfers***

The Utilities may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. *Fund Accounting***

Separate funds are established, maintained, and reported by the Utilities. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Utilities. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Utilities in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. *Budgets***

The operating budget is prepared and approved at the local level.

**Note 3. *Deposits and Investments***

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Utilities to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 4. *Risk Management***

The Utilities may be 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; medical benefits to employees, retirees, and dependents; and natural disasters.

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

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Utilities to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 5. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) Defined Benefit Plan is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Utilities authority to contribute to the plan.

My Choice: Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Utilities authority to contribute to the plan.

New employees hired have a one-time election to join either the Public Employees' Hybrid Plan (PERF Hybrid) or the My Choice: Retirement Savings Plan for Public Employees (My Choice), which is a multiple-employer defined contribution plan. PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

*Financial Report*

INPRS 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:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (844) 464-6777

*Contributions*

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

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

**Note 6. Other Postemployment Benefits**

The Utilities provide health insurance benefits to eligible retirees and their spouses. These benefits pose a liability to the Utilities for this year and in future years. Information regarding the benefits can be obtained by contacting the Utilities.

#### OTHER INFORMATION - UNAUDITED

The Utilities' Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Utilities' Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Utilities. It is presented as intended by the Utilities.

CITY OF MARION MUNICIPAL UTILITIES  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	WW Bond Reserves	Storm Water Operating	Storm Water Depreciation	Stormwater Operating Petty Cash	Storm Wrt Depr Equip Res
Cash and investments - beginning	\$ 608,513	\$ 207,145	\$ 186,734	\$ -	\$ 424,238
Receipts:					
Charges for services	-	-	-	-	-
Utility fees	-	1,182,355	-	-	-
Other receipts	-	-	376,748	200	437,349
Total receipts	-	1,182,355	376,748	200	437,349
Disbursements:					
Capital outlay	-	-	-	-	-
Other disbursements	-	1,186,374	405,820	-	-
Total disbursements	-	1,186,374	405,820	-	-
Excess (deficiency) of receipts over disbursements	-	(4,019)	(29,072)	200	437,349
Cash and investments - ending	\$ 608,513	\$ 203,126	\$ 157,662	\$ 200	\$ 861,587

CITY OF MARION MUNICIPAL UTILITIES  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Storm Water Construction	Waste Water Operation	Wastewater Customer Dep	Wastewater Depreciation	WW Bond & Interest
Cash and investments - beginning	\$ 748,870	\$ 224,387	\$ 242,939	\$ 160,406	\$ 485,147
Receipts:					
Charges for services	-	-	-	-	-
Utility fees	-	3,762,730	-	-	-
Other receipts	437,349	-	49,044	575,365	612,706
Total receipts	437,349	3,762,730	49,044	575,365	612,706
Disbursements:					
Capital outlay	-	-	-	-	-
Other disbursements	688,323	3,364,586	53,936	673,936	716,931
Total disbursements	688,323	3,364,586	53,936	673,936	716,931
Excess (deficiency) of receipts over disbursements	(250,974)	398,144	(4,892)	(98,571)	(104,225)
Cash and investments - ending	\$ 497,896	\$ 622,531	\$ 238,047	\$ 61,835	\$ 380,922

CITY OF MARION MUNICIPAL UTILITIES  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	WW Operating Petty Cash	Wastewater Long Term Control Plan	Wastewater Construction	Water Operating	Water Consumer Deposit
Cash and investments - beginning	\$ -	\$ 3,005,239	\$ 322,523	\$ 435,278	\$ 261,155
Receipts:					
Charges for services	-	-	-	-	-
Utility fees	-	1,065,444	-	3,593,646	-
Other receipts	930	-	415,365	-	55,824
Total receipts	930	1,065,444	415,365	3,593,646	55,824
Disbursements:					
Capital outlay	-	-	-	-	-
Other disbursements	-	2,934,792	394,028	3,582,236	60,642
Total disbursements	-	2,934,792	394,028	3,582,236	60,642
Excess (deficiency) of receipts over disbursements	930	(1,869,348)	21,337	11,410	(4,818)
Cash and investments - ending	\$ 930	\$ 1,135,891	\$ 343,860	\$ 446,688	\$ 256,337

CITY OF MARION MUNICIPAL UTILITIES  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Water Depreciation Fund	Water Operating Petty Cash	Water Quail Hollow	Water Construction	Water H2O Community
Cash and investments - beginning	\$ 206,539	\$ -	\$ 21,700	\$ 479,779	\$ 250
Receipts:					
Charges for services	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	812,696	1,300	-	202,791	3,528
Total receipts	812,696	1,300	-	202,791	3,528
Disbursements:					
Capital outlay	-	-	-	-	-
Other disbursements	362,336	500	-	100,000	2,190
Total disbursements	362,336	500	-	100,000	2,190
Excess (deficiency) of receipts over disbursements	450,360	800	-	102,791	1,338
Cash and investments - ending	\$ 656,899	\$ 800	\$ 21,700	\$ 582,570	\$ 1,588

CITY OF MARION MUNICIPAL UTILITIES  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Solid Waste Operating Fund	Solid Waste Customer Deposits	Solid Waste Cap Lease	Solid Waste Depreciation	Totals
Cash and investments - beginning	\$ 259,653	\$ 75,164	\$ 197,393	\$ 307,974	\$ 8,861,026
Receipts:					
Charges for services	1,282,656	-	264,965	208,791	1,756,412
Utility fees	-	-	-	-	9,604,175
Other receipts	-	31,936	-	-	4,013,131
Total receipts	<u>1,282,656</u>	<u>31,936</u>	<u>264,965</u>	<u>208,791</u>	<u>15,373,718</u>
Disbursements:					
Capital outlay	1,178,991	-	-	-	1,178,991
Other disbursements	151,806	24,338	237,102	210,154	15,150,030
Total disbursements	<u>1,330,797</u>	<u>24,338</u>	<u>237,102</u>	<u>210,154</u>	<u>16,329,021</u>
Excess (deficiency) of receipts over disbursements	<u>(48,141)</u>	<u>7,598</u>	<u>27,863</u>	<u>(1,363)</u>	<u>(955,303)</u>
Cash and investments - ending	<u>\$ 211,512</u>	<u>\$ 82,762</u>	<u>\$ 225,256</u>	<u>\$ 306,611</u>	<u>\$ 7,905,723</u>

CITY OF MARION MUNICIPAL UTILITIES  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2018

Enterprise	Accounts Payable	Accounts Receivable
Trash	\$ 8,860	\$ 199,010
Storm Water	10,160	587,177
Wastewater	72,550	665,909
Water	<u>23,336</u>	<u>497,625</u>
Totals	<u>\$ 114,906</u>	<u>\$ 1,949,721</u>

CITY OF MARION MUNICIPAL UTILITIES  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Solid Waste Utility	Solid Waste Equipment - 2016	\$ 73,889	2/29/2016	3/1/2026
Solid Waste Utility	Solid Waste Equipment - 2017	<u>163,213</u>	9/18/2017	3/1/2027
Total of annual lease payments		<u>\$ 237,102</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Revenue bonds	Sewage Revenue Bond 2015	<u>\$ 7,940,000</u>	<u>\$ 593,412</u>

CITY OF MARION MUNICIPAL UTILITIES  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2018

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.

	<u>Ending Balance</u>
Storm Water:	
Infrastructure	\$ 17,884,532
Buildings	59,859
Machinery, equipment, and vehicles	<u>1,793,075</u>
Total Storm Water	<u>19,737,466</u>
Wastewater:	
Land	28,535
Infrastructure	29,167,853
Buildings	25,709,633
Machinery, equipment, and vehicles	7,757,487
Construction in progress	<u>1,633,075</u>
Total Wastewater	<u>64,296,583</u>
Water:	
Land	340,174
Infrastructure	36,969,000
Buildings	14,582,099
Machinery, equipment, and vehicles	<u>2,948,204</u>
Total Water	<u>54,839,477</u>
Trash:	
Machinery, equipment, and vehicles	<u>2,047,885</u>
Total capital assets	<u>\$ 140,921,411</u>

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.