

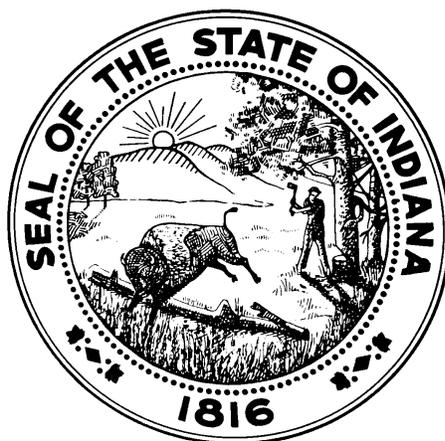
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2007

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES

WHITLEY COUNTY, INDIANA



**FILED**  
05/19/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosie Coyle	01-01-04 to 12-31-11
Mayor	James R. Fleck	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	James R. Fleck	01-01-04 to 12-31-11
President of the Common Council	Walter Crowder	01-01-07 to 12-31-08
Superintendent of Water Utility	Michael Dear	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	Howard Lowen Mike Cook	01-01-07 to 01-04-08 01-05-08 to 12-31-08
Superintendent of Electric Utility	Larry Whetstone	01-01-07 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE CITY OF COLUMBIA CITY  
MUNICIPAL UTILITIES, WHITLEY COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the City of Columbia City Municipal Utilities (Utilities), departments of the City of Columbia City, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion 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. 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 opinion.

As discussed in Note I, the financial statements of the Utilities are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Columbia City as of December 31, 2007, 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 business-type activities for the Utilities, as of December 31, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Utilities have not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

April 24, 2008

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
STATEMENT OF NET ASSETS  
December 31, 2007

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Storm Water Utility</u>
<b>Current assets:</b>				
Cash and cash equivalents	\$ -	\$ 493,722	\$ 311,067	\$ 609,683
Accounts receivable (net of allowance)	118,925	301,197	786,238	33,024
Inventories	87,598	-	481,432	-
Prepaid items	26,884	46,605	67,206	-
<b>Total current assets</b>	<u>233,407</u>	<u>841,524</u>	<u>1,645,943</u>	<u>642,707</u>
<b>Noncurrent assets:</b>				
<b>Restricted cash, cash equivalents and investments:</b>				
Depreciation cash and investments	65,491	379,403	66,679	-
Bond and interest cash and investments	50,248	-	-	-
Construction cash and investments	535,974	-	-	-
Debt service cash and investments	271,703	-	-	-
Reserve cash and investments	33,688	24,856	383,363	-
Customer deposits	33,470	-	214,773	-
<b>Restricted cash with fiscal agent:</b>				
Bond and interest cash and investments	-	1,423,733	-	-
<b>Total restricted assets</b>	<u>990,574</u>	<u>1,827,992</u>	<u>664,815</u>	<u>-</u>
Deferred charges	133,930	154,024	-	-
Land held for resale	-	-	1,981	-
<b>Capital assets:</b>				
Land, improvements to land and construction in progress	7,654	16,701,157	223,573	31,182
Other capital assets (net of accumulated depreciation)	6,126,040	6,420,491	5,231,690	-
<b>Total capital assets</b>	<u>6,133,694</u>	<u>23,121,648</u>	<u>5,455,263</u>	<u>31,182</u>
<b>Total noncurrent assets</b>	<u>7,258,198</u>	<u>25,103,664</u>	<u>6,122,059</u>	<u>31,182</u>
<b>Total assets</b>	<u>7,491,605</u>	<u>25,945,188</u>	<u>7,768,002</u>	<u>673,889</u>
<b><u>Liabilities</u></b>				
<b>Current liabilities:</b>				
Accounts payable	2,304	27,674	476,352	-
Accrued wages payable	13,084	16,895	25,309	2,996
Taxes payable	9,213	-	55,746	-
<b>Current liabilities payable from restricted assets:</b>				
Contracts payable	-	669,028	-	-
Customer deposits	33,470	-	214,773	-
Revenue bonds payable	133,000	-	-	-
Accrued interest payable	35,354	226,930	-	-
<b>Total current liabilities</b>	<u>226,425</u>	<u>940,527</u>	<u>772,180</u>	<u>2,996</u>
<b>Noncurrent liabilities:</b>				
Compensated absences	34,463	24,197	57,031	-
Revenue bonds payable (net of deferred amount on refunding)	2,898,592	-	-	-
Loans payable	-	15,268,071	-	-
Contracts payable	106,788	-	-	-
<b>Total noncurrent liabilities</b>	<u>3,039,843</u>	<u>15,292,268</u>	<u>57,031</u>	<u>-</u>
<b>Total liabilities</b>	<u>3,266,268</u>	<u>16,232,795</u>	<u>829,211</u>	<u>2,996</u>
<b><u>Net Assets</u></b>				
Invested in capital assets, net of related debt	3,102,102	7,853,577	5,455,263	31,182
Restricted for debt service	321,951	1,423,733	-	-
Unrestricted	801,284	435,083	1,483,528	639,711
<b>Total net assets</b>	<u>\$ 4,225,337</u>	<u>\$ 9,712,393</u>	<u>\$ 6,938,791</u>	<u>\$ 670,893</u>

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

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Electric Utility	Storm Water Utility
Operating revenues:				
Metered water revenue	\$ 998,342	\$ -	\$ -	\$ -
Residential, commercial and industrial sales	-	-	7,827,537	-
Public street and highway lighting	-	-	93,824	-
Fire protection revenue	303,130	-	-	-
Penalties	5,906	42,810	29,928	4,083
Flat rate revenues	-	-	-	318,343
Measured revenue	-	3,235,580	-	-
Other	110,486	61,896	100,308	100
	<u>1,417,864</u>	<u>3,340,286</u>	<u>8,051,597</u>	<u>322,526</u>
Total operating revenues	<u>1,417,864</u>	<u>3,340,286</u>	<u>8,051,597</u>	<u>322,526</u>
Operating expenses:				
Source of supply and expense - operations and maintenance	-	40,013	-	-
Water treatment expense - operations and maintenance	153,558	-	-	-
Purchased power	-	-	5,736,230	-
Transmission and distribution	285,398	-	720,233	-
Treatment and disposal - operations and maintenance	-	871,382	-	20,780
Customer accounts	50,002	35,709	95,742	968
Administration and general	501,119	626,985	672,966	17,860
Employee pensions and benefits	-	-	475,624	-
Rents	6,600	6,750	-	-
Gross income tax	16,700	-	108,349	-
Insurance expense	40,239	48,000	67,745	-
Depreciation	133,383	305,361	440,949	-
	<u>1,186,999</u>	<u>1,934,200</u>	<u>8,317,838</u>	<u>39,608</u>
Total operating expenses	<u>1,186,999</u>	<u>1,934,200</u>	<u>8,317,838</u>	<u>39,608</u>
Operating income (loss)	<u>230,865</u>	<u>1,406,086</u>	<u>(266,241)</u>	<u>282,918</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	68,109	83,091	55,999	22,156
Miscellaneous revenue	17,780	16,902	44,990	189
Interest expense	(147,887)	-	-	-
Amortization of bond issue costs	(7,624)	(8,140)	-	-
	<u>(69,622)</u>	<u>91,853</u>	<u>100,989</u>	<u>22,345</u>
Total nonoperating revenues (expenses)	<u>(69,622)</u>	<u>91,853</u>	<u>100,989</u>	<u>22,345</u>
Income (loss) before transfers	161,243	1,497,939	(165,252)	305,263
Transfers out	(60,000)	(96,000)	(144,000)	-
Change in net assets	101,243	1,401,939	(309,252)	305,263
Total net assets - beginning	<u>4,124,094</u>	<u>8,310,454</u>	<u>7,248,043</u>	<u>365,630</u>
Total net assets - ending	<u>\$ 4,225,337</u>	<u>\$ 9,712,393</u>	<u>\$ 6,938,791</u>	<u>\$ 670,893</u>

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

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2007

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Storm Water Utility</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 1,415,735	\$ 3,297,552	\$ 8,083,659	\$ 316,780
Payments to suppliers and contractors	(330,690)	(795,004)	(6,943,522)	(32,416)
Payments to employees	(725,478)	(820,543)	(1,024,594)	(4,196)
Other receipts	17,780	16,902	44,990	189
Net cash provided by operating activities	<u>377,347</u>	<u>1,698,907</u>	<u>160,533</u>	<u>280,357</u>
Cash flows from noncapital financing activities:				
Transfer to other funds	<u>(60,000)</u>	<u>(96,000)</u>	<u>(144,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(955,386)	(134,995)	(213,925)	(6,069)
Principal paid on capital debt	(123,000)	(302,000)	-	-
Interest paid on capital debt	<u>(132,928)</u>	<u>(189,405)</u>	<u>-</u>	<u>-</u>
Net cash used by capital and related financing activities	<u>(1,211,314)</u>	<u>(626,400)</u>	<u>(213,925)</u>	<u>(6,069)</u>
Cash flows from investing activities:				
Interest received	<u>68,109</u>	<u>83,091</u>	<u>55,999</u>	<u>22,156</u>
Net increase (decrease) in cash and cash equivalents	(825,858)	1,059,598	(141,393)	296,444
Cash and cash equivalents, January 1	<u>1,816,432</u>	<u>1,262,116</u>	<u>1,117,275</u>	<u>313,239</u>
Cash and cash equivalents, December 31	<u>\$ 990,574</u>	<u>\$ 2,321,714</u>	<u>\$ 975,882</u>	<u>\$ 609,683</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 230,865	\$ 1,406,086	\$ (266,241)	\$ 282,918
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	133,383	305,361	440,949	-
Miscellaneous nonoperating revenue	17,780	16,902	44,990	189
(Increase) decrease in assets:				
Accounts receivable	(2,129)	(42,734)	(7,068)	(5,746)
Other receivables	-	-	39,130	-
Inventories	(2,400)	-	(61,146)	-
Prepaid items	13,355	(1,895)	748	-
Increase (decrease) in liabilities:				
Accounts payable	(22,420)	4,086	(41,553)	-
Accrued wages payable	1,922	6,181	3,546	2,996
Taxes payable	(1,169)	-	1,379	-
Compensated absence payable	5,315	4,920	1,626	-
Customer deposits	2,845	-	4,173	-
Total adjustments	<u>146,482</u>	<u>292,821</u>	<u>426,774</u>	<u>(2,561)</u>
Net cash provided by operating activities	<u>\$ 377,347</u>	<u>\$ 1,698,907</u>	<u>\$ 160,533</u>	<u>\$ 280,357</u>
Noncash investing, capital and financing activities:				
Capital assets acquired through contracts payable	\$ -	\$ 669,028	\$ -	\$ -
Capital assets acquired through loan payable	-	5,342,100	-	-
Capital assets acquired through accrued interest payable	-	226,930	-	-

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

CITY OF COLUMBIA CITY 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 Columbia City Utilities (Utilities) and are not intended to present fairly the financial position of the City of Columbia City (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.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities' cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utility 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 COLUMBIA CITY 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 assets balance sheet because their use is limited by applicable bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Water collection systems	\$ 1,000	Composite rate and straight-line	1.5%-5.0% 10 years
Wastewater distribution and collection systems	1,000	Composite rate and straight-line	2.5%-7.5% 10 years
Electric distribution systems	1,000	Composite rate and straight-line	3.5%-6.67% 10 years
Storm water system	1,000	N/A	N/A

N/A = Not applicable

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Utilities during the current year was \$564,222. Of the amount, \$416,335 was included as part of the cost of capital assets under construction in connection with the Water Pollution Control Facility upgrade.

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

5. Compensated Absences

a. Sick Leave

Utility employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement at the rate of \$10 for every sick day accumulated. Accumulated sick leave is not paid to employees who resign their position.

b. Vacation Leave

Utility employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 2 years' vacation earnings. Accumulated vacation leave is paid to employees through cash payments upon termination.

c. Personal Leave

Utility employees earn personal leave at the rate of 4 days per year. Personal leave does not accumulate from year to year.

Vacation leave is accrued when incurred. No liability is reported for sick and personal 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, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 7,654	\$ -	\$ -	\$ 7,654
Construction in progress	<u>82,295</u>	<u>850,331</u>	<u>932,626</u>	<u>-</u>
Totals	<u>89,949</u>	<u>850,331</u>	<u>932,626</u>	<u>7,654</u>
Capital assets, being depreciated:				
Improvements other than buildings	5,087,786	1,016,780	-	6,104,566
Buildings	1,587,879	-	-	1,587,879
Machinery and equipment	<u>458,584</u>	<u>16,278</u>	<u>-</u>	<u>474,862</u>
Totals	<u>7,134,249</u>	<u>1,033,058</u>	<u>-</u>	<u>8,167,307</u>
Less accumulated depreciation for:				
Improvements other than buildings	1,241,509	76,316	-	1,317,825
Buildings	419,146	23,818	-	442,964
Machinery and equipment	<u>247,229</u>	<u>33,249</u>	<u>-</u>	<u>280,478</u>
Totals	<u>1,907,884</u>	<u>133,383</u>	<u>-</u>	<u>2,041,267</u>
Total capital assets, being depreciated, net	<u>5,226,365</u>	<u>899,675</u>	<u>-</u>	<u>6,126,040</u>
Total Water Utility capital assets, net	<u>\$ 5,316,314</u>	<u>\$ 1,750,006</u>	<u>\$ 932,626</u>	<u>\$ 6,133,694</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 23,396	\$ -	\$ -	\$ 23,396
Construction in progress	<u>11,225,529</u>	<u>5,452,232</u>	<u>-</u>	<u>16,677,761</u>
Totals	<u>11,248,925</u>	<u>5,452,232</u>	<u>-</u>	<u>16,701,157</u>
Capital assets, being depreciated:				
Improvements other than buildings	9,265,095	-	-	9,265,095
Buildings	1,304,341	-	-	1,304,341
Machinery and equipment	<u>657,983</u>	<u>289,387</u>	<u>98,939</u>	<u>848,431</u>
Totals	<u>11,227,419</u>	<u>289,387</u>	<u>98,939</u>	<u>11,417,867</u>
Less accumulated depreciation for:				
Improvements other than buildings	3,605,093	231,626	-	3,836,719
Buildings	746,861	32,608	-	779,469
Machinery and equipment	<u>439,000</u>	<u>41,127</u>	<u>98,939</u>	<u>381,188</u>
Totals	<u>4,790,954</u>	<u>305,361</u>	<u>98,939</u>	<u>4,997,376</u>
Total capital assets, being depreciated, net	<u>6,436,465</u>	<u>(15,974)</u>	<u>-</u>	<u>6,420,491</u>
Total Wastewater Utility capital assets, net	<u>\$ 17,685,390</u>	<u>\$ 5,436,258</u>	<u>\$ -</u>	<u>\$ 23,121,648</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 223,573	\$ -	\$ -	\$ 223,573
Construction in progress	<u>1,634,454</u>	<u>36,852</u>	<u>1,671,306</u>	<u>-</u>
Totals	<u>1,858,027</u>	<u>36,852</u>	<u>1,671,306</u>	<u>223,573</u>
Capital assets, being depreciated:				
Improvements other than buildings	7,630,452	1,752,670	-	9,383,122
Buildings	1,545,264	-	-	1,545,264
Machinery and equipment	<u>1,626,733</u>	<u>57,934</u>	<u>21,933</u>	<u>1,662,734</u>
Totals	<u>10,802,449</u>	<u>1,810,604</u>	<u>21,933</u>	<u>12,591,120</u>
Less accumulated depreciation for:				
Improvements other than buildings	5,065,276	267,068	-	5,332,344
Buildings	873,516	54,085	-	927,601
Machinery and equipment	<u>1,001,622</u>	<u>119,796</u>	<u>21,933</u>	<u>1,099,485</u>
Totals	<u>6,940,414</u>	<u>440,949</u>	<u>21,933</u>	<u>7,359,430</u>
Total capital assets, being depreciated, net	<u>3,862,035</u>	<u>1,369,655</u>	<u>-</u>	<u>5,231,690</u>
Total Electric Utility capital assets, net	<u>\$ 5,720,062</u>	<u>\$ 1,406,507</u>	<u>\$ 1,671,306</u>	<u>\$ 5,455,263</u>
Storm Water Utility:				
Capital assets, not being depreciated:				
Construction in progress	<u>\$ 25,113</u>	<u>\$ 6,069</u>	<u>\$ -</u>	<u>\$ 31,182</u>

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

Water	\$ 133,383
Wastewater	305,361
Electric	<u>440,949</u>
Total depreciation expense	<u>\$ 879,693</u>

C. Construction Commitments

Construction work in progress is composed of the following:

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

Project	Total Project Authorized	Expended to December 31, 2007	Committed
Wastewater Utility:			
WPCF project upgrade	\$ 23,600,000	\$ 16,677,761	\$ 6,922,239
Storm Water Utility:			
Storm Water separation and construction	\$ 6,500,000	\$ 31,182	\$ 6,468,818

D. Interfund Transfers

Interfund transfers during the year ended December 31, 2007, were as follows:

Transfer From	Transfer To General Fund
Water Utility	\$ 60,000
Wastewater Utility	96,000
Electric Utility	144,000
Total	\$ 300,000

These transfers represent payments made in lieu of taxes.

E. Long-Term Liabilities

1. Revenue Bonds

The Utilities issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Balance at December 31	Less: Unamortized Deferred Loss on Refunding	Revenue Bonds
2004 Waterworks refunding	4.7%	\$ 1,432,000	\$ 47,408	\$ 1,384,592
2006 Waterworks north pressure booster station	4.5%	1,647,000	-	1,647,000
Totals		\$ 3,079,000	\$ 47,408	\$ 3,031,592

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

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility	
	Principal	Interest
2008	\$ 132,000	\$ 139,873
2009	136,000	133,782
2010	142,000	127,438
2011	150,000	120,794
2012	156,000	113,804
2013-2017	903,000	452,215
2018-2022	990,000	222,647
2023-2026	470,000	48,780
Totals	<u>\$ 3,079,000</u>	<u>\$ 1,359,333</u>

2. State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank. The proceeds are set aside to finance the construction of the Wastewater WPCF upgrade and the Blue River Interceptor Sewer project. Funds are loaned to the Utility as construction costs are accrued to the maximum allowed. The State Revolving Loan Fund loan established a maximum draw of \$16,672,000 for the Wastewater WPCF upgrade and \$6,928,000 for the Blue River Interceptor Sewer project. As of December 31, 2007, the loan principal balance was \$14,905,338 for the Wastewater WPCF upgrade and \$362,733 for the Blue River Interceptor Sewer project. Annual debt service requirements for the State Revolving Loan Fund loans will not be determined until planned construction projects are completed.

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ 3,202,000	\$ -	\$ 123,000	\$ 3,079,000	\$ 132,000
Compensated absences	29,148	5,315	-	34,463	-
<b>Total Water Utility long-term liabilities</b>	<b><u>\$ 3,231,148</u></b>	<b><u>\$ 5,315</u></b>	<b><u>\$ 123,000</u></b>	<b><u>\$ 3,113,463</u></b>	<b><u>\$ 132,000</u></b>
Wastewater Utility:					
Loans payable	\$ 10,227,971	\$ 5,342,100	\$ 302,000	\$ 15,268,071	\$ -
Compensated absences	19,277	4,920	-	24,197	-
<b>Total Wastewater Utility: long-term liabilities</b>	<b><u>\$ 10,247,248</u></b>	<b><u>\$ 5,347,020</u></b>	<b><u>\$ 302,000</u></b>	<b><u>\$ 15,292,268</u></b>	<b><u>\$ -</u></b>
Electric Utility:					
Compensated absences	\$ 55,405	\$ 1,626	-	\$ 57,031	-

III. Other Information

A. Risk Management

The Utility 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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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 three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Group Insurance Fund, an internal service fund,) where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$45,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

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

B. Subsequent Events

The Wastewater Utility has two projects under construction, the Wastewater WPCF upgrade and the Blue River Interceptor Sewer project. A total of \$16,677,761 has been expended through December 31, 2007. The Wastewater Utility anticipates borrowing an additional \$1,463,662 to complete the WPC upgrade and \$6,511,305 to complete the Blue River Interceptor Sewer project.

C. Postemployment Benefits

In addition to the pension benefits described below, the Utilities provide postemployment medical benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age 55 with at least 20 years of service. Currently, 1 retiree meets these eligibility requirements. The City provides one-half of the cost of single coverage of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2007, disbursements of \$3,213 were recognized for postemployment benefits.

D. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on August 22, 2007. The Utility has 3,382 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on October 24, 2006. The Utility has 3,405 customers.

3. Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on March 1, 2000. The Utility has 4,646 customers.

4. Storm Water Utility

The current rate structure was approved by the City Council on July 25, 2006. The Utility has 3,659 customers.

E. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utility, 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 OF COLUMBIA CITY MUNICIPAL UTILITIES  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Utility 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.

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

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utility's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole (and is presented in the governmental activities of the financial statements and is not presented as an asset/liability of the proprietary funds).

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 143,556
Interest on net pension obligation	(19,489)
Adjustment to annual required contribution	22,209
Annual pension cost	146,276
Contributions made	160,216
Decrease in net pension obligation	(13,940)
Net pension obligation, beginning of year	(268,809)
Net pension obligation, end of year	\$ (282,749)

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

Contribution rates:	
Utilities	6.75%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions	PERF
Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 122,355	145%	\$ (209,475)
	06-30-05	107,173	155%	(268,809)
	06-30-06	146,276	110%	(282,749)

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 2,041,385	\$ 2,216,697	\$ (175,312)	92%	\$ 2,097,850	(8%)
07-01-05	2,174,609	2,656,335	(481,726)	82%	2,284,916	(21%)
07-01-06	2,375,253	2,935,928	(560,675)	81%	2,240,878	(25%)

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
AUDIT RESULTS AND COMMENTS

UTILITY FUNDS USED FOR CITY EXPENSES

City officials used municipal Utility operating funds to pay for salaries and wages of City employees. The Deputy Clerk-Treasurer, the Information Systems Director, and City Hall Maintenance and custodial employees were paid almost entirely from Utility operating funds. In addition, there were other City employees whose salaries and wages were partially paid from Utility operating funds in a larger proportion than what their utility duties would indicate. There were also Utility purchases that were not related to the operation of the utilities, such as video equipment for the City Communications Department. A similar comment appeared in prior Report B29877.

Expenses paid from Utility operating funds should be directly related to the operation of the municipally owned utility. Expenditures for City operating costs should not be paid from Utility operating funds.

A municipal utility may establish a Cash Reserve Fund which permits transfer of surplus utility funds to the City general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2008, with Rosie Coyle, Clerk-Treasurer; James R. Fleck, Mayor; and Walter Crowder, President of the Common Council.