

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

ANNUAL FINANCIAL REPORT
2007

WATER UTILITY, WASTEWATER UTILITY,
AND AVIATION COMMISSION
CITY OF COLUMBUS
BARTHOLOMEW COUNTY, INDIANA



FILED
09/25/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda Sullivan	01-01-04 to 12-31-11
Mayor	Fred L. Armstrong	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	Fred L. Armstrong	01-01-07 to 12-31-08
President of the Common Council	Martha Meyers	01-01-07 to 12-31-08
Director of Utilities	Keith Reeves	01-01-07 to 12-31-08
Utility Business Manager	Dale Langferman	01-01-07 to 12-31-08
President of the Aviation Commission	John Kussman Dana L. Herr	01-01-07 to 12-31-07 01-01-08 to 12-31-08
Airport Manager	Rod R. Blasdel	01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER UTILITY, WASTEWATER UTILITY, AND AVIATION
COMMISSION, CITY OF COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water Utility, Wastewater Utility, (Utilities) and Aviation Commission (Commission), departments of the City of Columbus, as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Utilities and Commission's 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 Water Utility, Wastewater Utility, and Aviation Commission, City of Columbus, 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 and the Commission. They do not purport to, and do not, present fairly the financial position of the City of Columbus 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 Water Utility, Wastewater Utility, and Aviation Commission, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Management's Discussion and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 4, 2008

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities reflect how the City of Columbus did financially during 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings, streets, water and wastewater, and storm water lines). The timing of the final property tax draw can also be a factor if the city doesn't receive their tax settlement on December 31st each year. These factors must be considered when assessing the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two types of activities.

- **Governmental Activities** – Most of the City's programs and services are reported here, including public safety, highway and streets, sanitation, health and welfare, economic development, culture and recreation, interest on long term debt, and general government. These services are primarily funded by property and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.
- **Business-Type Activities** – These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water, wastewater, and aviation services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial statements provide detailed information about the City's major funds, the General, Street Maintenance and Repair, Water, Wastewater, and Aviation funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds – The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2007

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Enterprise Funds – The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds also use the accrual basis of accounting.

Government-Wide Financial Analysis

Table 1 provides a summary of the City's net assets for 2007 compared to 2006.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Assets						
Current Assets	18,042,915	4,806,430	11,133,046	14,014,476	29,175,961	18,820,906
Restricted Assets	3,624,135	22,812,891	35,803,513	29,071,478	39,427,648	51,884,369
Fixed Assets			79,602,211	93,783,325	79,602,211	93,783,325
Depreciation					-	-
Other Assets			315,357	386,069	315,357	386,069
Total Assets	21,667,050	27,619,321	126,854,127	137,255,348	148,521,177	164,874,669
Liabilities						
Current and Other Liabilities			1,934,119	4,211,261	1,934,119	4,211,261
Long-Term Debt			34,321,720	33,249,150	34,321,720	33,249,150
Other Liabilities					-	-
Equity/Retained Earnings					-	-
Total Liabilities	-	-	36,255,839	37,460,411	36,255,839	37,460,411
Total Net Assets	21,667,050	27,619,321	90,598,288	99,794,937	112,265,338	127,414,258
Net Assets						
Invested in Capital Assets, Net of related debt			44,388,491	57,348,737	44,388,491	57,348,737
Restricted	3,624,135	22,812,891	929,859	28,860,411	4,553,994	51,673,302
Unrestricted	18,042,915	4,806,430	45,279,938	13,585,789	63,322,853	18,392,219
Total Net Assets	21,667,050	27,619,321	90,598,288	99,794,937	112,265,338	127,414,258

Total net assets for governmental activities increased \$5.9 million. The governmental activities had an increase in revenues of \$13.4 million and an increase in expenses of \$7.7 million.

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

The net assets for business-type activities increased \$9.1 million. The business-type activities had an increase in revenues of \$4.3 million and an increase in expenses of \$1.8 million with an increase in beginning assets of \$6.6 million which makes up the net increase of \$9.1 million in net assets.

Table 2 reflects the changes in net assets for 2007 with a comparison to 2006 net assets. This is a comparative analysis of government-wide data to compare the changes in each category of revenues and disbursements.

**Table 2
Changes in Net Assets**

Table 2 reflects the changes in net assets for 2007 compared to 2006

	Governmental	Business-Type	Governmental	Business-Type	Total	
	Activities	Activities	Activities	Activities	2006	2007
	2006	2006	2007	2007		
Receipts						
Program Receipts						
Charges For Services	10,552,684	10,197,498	2,768,236	12,668,672	20,750,182	15,436,908
Operating Grants and Contributions	4,494,231		4,047,631		4,494,231	4,047,631
Capital Grants and Contributions	-		2,118,100		-	2,118,100
Total Program Receipts	15,046,915	10,197,498	8,933,967	12,668,672	25,244,413	21,602,639
General Receipts						
Property Taxes	22,114,095		21,610,193		22,114,095	21,610,193
Other Local Sources	1,531,031	2,125,658	18,699,955	3,563,951	3,656,689	22,263,906
Other Revenues	10,646,228	3,938,760	13,539,602	4,371,095	14,584,988	17,910,697
Total General Receipts	34,291,354	6,064,418	53,849,750	7,935,046	40,355,772	61,784,796
Total Receipts	49,338,269	16,261,916	62,783,717	20,603,718	65,600,185	83,387,435
Transfers			(2,174)	(16,310)	-	(18,484)
Total Receipts and Transfers	49,338,269	16,261,916	62,781,543	20,587,408	65,600,185	83,368,951
Program Disbursements						
General Government	17,226,801		18,445,556		17,226,801	18,445,556
Public Safety	15,120,573		17,014,385		15,120,573	17,014,385
Highway and streets	4,396,271		7,207,011		4,396,271	7,207,011
Sanitation	1,668,746		2,196,489		1,668,746	2,196,489
Health and Welfare	-		422,432		-	422,432
Economic Development	1,523,352		2,694,993		1,523,352	2,694,993
Culture and recreation	9,194,774		7,478,576		9,194,774	7,478,576
Interest on Long-Term Debt			1,369,831			1,369,831
Water		3,957,083		4,302,182	3,957,083	4,302,182
Wastewater		4,444,916		5,780,983	4,444,916	5,780,983
Aviation		1,218,375		1,307,594	1,218,375	1,307,594
Total Disbursements	49,130,517	9,620,374	56,829,273	11,390,759	58,750,891	68,220,032
Increase in Cash Net Assets	207,752	6,641,542	5,952,270	9,196,649	6,849,294	15,148,919
Beginning Cash Net Assets	21,459,298	83,956,746	21,667,051	90,598,288	105,416,044	112,265,339
Ending Cash Net Assets	21,667,050	90,598,288	27,619,321	99,794,937	112,265,338	127,414,258

The major program expenses for governmental activities are for general government, which accounts for just over 32% of all governmental expenses. Public Safety accounts for just below 30% of total disbursements. Culture and recreation decreased from 2006 to 2007 by 1.7 million which accounts for 13% of all disbursements. These three programs account for over 75% of the total disbursements for the City of Columbus and are funded almost entirely from property taxes, CAGIT revenues, and State shared revenues.

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

The City's water and wastewater operations account for over 87% of the business-type expenses and are funded almost entirely from charges for services.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. A comparison is provided to show changes from 2006 to 2007.

**Table 3
Governmental Activities**

Table 3 Indicates the total cost of services and the net cost of services for Governmental Activities.

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2007	Net Cost of Services 2007
Program Disbursements				
General Government	17,226,801	8,324,145	18,445,556	15,496,623
Public Safety	15,120,573	14,995,839	17,014,385	16,969,037
Highway and streets	4,396,271	2,492,138	7,207,011	4,771,643
Sanitation	1,668,746	1,668,746	2,196,489	1,936,172
Health and Welfare	-	(206,718)	422,432	370,103
Economic Development	1,523,352	340,554	2,694,993	1,601,410
Culture and recreation	9,194,774	6,468,898	7,478,576	5,380,488
Principial & Interest Long Term			1,369,831	1,369,831
Total Disbursements	49,130,517	34,083,602	56,829,273	47,895,307

It should be noted that for all governmental activities, over 94 percent of the revenues to provide these services are derived from the City's general revenues: that being primarily property taxes, CAGIT monies, and state shared revenues. The negative cost of health and welfare services in 2006 indicates that program revenues were sufficient enough to cover the costs of this program.

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Public Safety fund, and the Culture and Recreation fund. A review of these funds indicates a significant change in general government expenses due to the increase in gas prices and materials. The public safety disbursements increased due to the rising need for law enforcement patrolling and also rising gas prices. Culture and recreation disbursements decreased because the county only did one tax billing for property taxes in 2007 causing lack of funds to expend. The other funds listed also changed due to rising costs of fuel and materials.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water, Wastewater, and Aviation funds. Program revenues, primarily charges for services, have been sufficient to cover the expenses of the respective funds, which can be seen on the statement of activities.

The revenues generated by the utilities division is primarily based on the amount of water the residents use. They are billed based on the quantity they use for both water and sewer. Customers not using the

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

city water supply get billed a flat rate for sewage treatment. Our customer base is primarily residential within the city limits of Columbus. However, we do have an industrial base and do bill a couple rural utilities under a negotiated contract.

Utility revenues increased from 2006 to 2007. This was a result of a 79% increase in wastewater rates that took effect May of 2006. 2007 was also a dry year which increased the water income. The expenses encountered by the utilities division changed significantly from 2006 to 2007 primarily due to the increase in bond interest expense. The charge for services generates enough revenue to offset the expenses generated by utilities and along with the general revenues it covers all the expenses for the utility division.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by city officials and department heads and such other budgetary documents are required by State statute, including the annual appropriations ordinance which is effective the first day of January. The City's most significant budgeted fund is the general fund. Any modification to the approved annual budget are only completed upon department request and within qualifying categories based on the State Board of Accounts regulations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City of Columbus is GASB 34 compliant. This process to become compliant began in 2004 and has taken extensive time to compile the exact, accurate data. The City of Columbus has chosen to use a base of \$5,000.00 for all capital assets. Any purchase above that amount will be part of the fixed asset report. To date, each city department is responsible to submit a document on a quarterly basis to the Clerk Treasurer for any purchases or deletions. The capital asset reporting system includes land, buildings, land improvements, vehicles, machinery and equipment, city infrastructure and artwork.

CURRENT ISSUES

Columbus City Utilities has a number of major factors in 2007 that had an impact on the financial statements. They included a rate increase, and the issue of a new debt.

Utility revenues increased over 2006. This was the result of a 79% increase in the wastewater rates that took effect May of 2006. This geographical area experienced a very dry year in 2007 which increased water income.

The utilities division continues with major construction projects that will affect the financial picture for years to come. This includes a new wastewater plant. The debt will increase approximately \$5,000,000 by the end of 2008 and again in mid 2009 by \$75,000,000. The increased debt will require a rate increase that will take effect around the beginning of 2008.

The City received the approval for a public works project in the amount of \$2,000,000. The City Council committed \$1,000,000 to the new Mill Race Center and \$1,000,000 for miscellaneous projects needed by

City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2007

the Parks Department. The Department of Local Government Finance Control Board approved the loan in October, 2007 and a tax rate was set to pay this debt back within two (2) years.

The Clerk Treasurer's office continues to be current on all bank reconciliations on all funds. The year 2007 presented quite a financial challenge to the Clerk Treasurer's office due to the fact that only (1) tax billing was collected by the County Auditor and the majority of the property tax settlement did not come until year-end of 2007. Because of that primary fact, Clerk Treasurer Brenda Sullivan went before City Council in May and asked that temporary inter-fund loans be made in order to avoid having to procure a tax anticipation warrant. All loans were repaid by year-end of 2007. The 2007 year was closed timely and the Clerk Treasurer was able to account for all monies.

The Vision 20/20 Downtown Committee continues to be hard at work. Hotel Indigo was completed and has added a very positive alternative for hotel accommodations to the city of Columbus. December 31, 2007 was the last date of operations for the City Commons. It was scheduled for demolition with a new facility to be built. There are many projects on the table and there is much enthusiasm as to revitalizing the downtown. A sports complex and new educational opportunities are still part of the plan in the near future for the downtown area.

The Redevelopment Commission moved forward with an issuance of bonds in the principal amount not to exceed \$10,000,000 in order to build the Jackson Street Parking Garage. Groundbreaking occurred and the construction of the parking garage was begun. Completion date is early in 2008.

Cummins announced that 500 new jobs would come to the city of Columbus. These jobs would pay in the range of \$80,000. It was hoped that an office building could be built in the downtown area possibly on the block that was to be demolished.

A major concern for the city has been the condition of sidewalks, particularly in our Lincoln Center and East Columbus neighborhoods. In cooperation with Community Development, the City Engineer and neighborhood representatives, we targeted Community Development Block Grant funding to repair these sidewalks.

The TAC Team, better known as Technology Advisory Committee, has developed and is implementing E-Columbus telecommunications initiatives throughout the city. The conduit project was started and nearly completed in the year 2007.

The City has contracted with Milestone Contractors to improve the next phase of Rocky Ford Road from Marr Road to Taylor Road. This is a \$ 4,300,000 project that includes the addition of curbs, gutters and sidewalks to extend our People Trail System as well as two travel lanes. This project represents a milestone for our newly formed Metropolitan Planning Organization since this is the first road project to be completed with MPO funding. Construction began with completion date set for sometime in early 2008.

The construction of Fire Station # 2 at the Columbus Airport was completed and dedicated. The old Fire Station # 2 located at 2702 Central Avenue was sold to Columbus Regional Hospital.

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2007**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Brenda Sullivan, City Clerk Treasurer, 123 Washington Street, Columbus, Indiana 47201.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF NET ASSETS
December 31, 2007

<u>Assets</u>	<u>Water</u>	<u>Wastewater</u>	<u>Aviation</u>
Current assets:			
Cash and cash equivalents	\$ 521,959	\$ 907,659	\$ 1,006,425
Investments	5,200,000	5,050,000	-
Interest receivable	42,255	39,171	-
Accounts receivable	340,081	577,674	23,547
Accounts receivable - other	-	7,993	-
Note receivables	1,128	1,377	-
Inventories	98,793	59,337	-
Prepaid items	63,227	58,248	15,602
	<hr/>	<hr/>	<hr/>
Total current assets	6,267,443	6,701,459	1,045,574
Noncurrent assets:			
Restricted cash, cash equivalents and investments:			
Bond and interest cash and cash equivalents	15,017	264,849	-
Bond and interest investments	75,059	1,109,977	-
Customer deposits cash and cash equivalents	5,583	8,262	-
Customer deposits investments	79,000	117,000	-
Bond reserve investments	-	32,095	-
Depreciation cash and cash equivalents	389,631	49,263	-
Depreciation investments	4,400,000	2,500,000	-
SRF construction cash and cash equivalents	-	3,809,884	-
SRF construction investments	-	16,000,000	-
FAA grant cash and cash equivalents	-	-	38,019
Interest receivable	35,165	142,674	-
	<hr/>	<hr/>	<hr/>
Total restricted assets:	4,999,455	24,034,004	38,019
Deferred charges	86,817	299,252	-
	<hr/>	<hr/>	<hr/>
Capital assets:			
Land, improvements to land and construction in progress	1,160,226	13,248,145	4,481,839
Other capital assets (net of accumulated depreciation)	28,821,711	34,924,327	11,147,077
	<hr/>	<hr/>	<hr/>
Total capital assets	29,981,937	48,172,472	15,628,916
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	35,068,209	72,505,728	15,666,935
	<hr/>	<hr/>	<hr/>
Total assets	41,335,652	79,207,187	16,712,509
Liabilities			
Current liabilities:			
Accounts payable	64,242	63,289	88,629
Contracts payable	-	-	274,142
Accrued wages payable	32,900	39,215	2,644
Taxes payable	14,610	-	-
Compensated absences	10,615	16,486	-
Deferred revenue	-	-	209,206
Current liabilities payable from restricted assets:			
Customer deposits	84,583	125,262	-
Contracts payable	-	1,580,283	-
Revenue bonds payable	45,000	810,000	-
Loans payable	-	267,000	-
Accrued interest payable	50,700	432,455	-
	<hr/>	<hr/>	<hr/>
Total current liabilities	302,650	3,333,990	574,621
Noncurrent liabilities:			
Revenue bonds payable (net of unamortized premiums and deferred amount on refunding)	3,202,697	2,539,736	-
Loans payable	-	27,506,717	-
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	3,202,697	30,046,453	-
	<hr/>	<hr/>	<hr/>
Total liabilities	3,505,347	33,380,443	574,621
Net Assets			
Invested in capital assets, net of related debt	26,683,540	15,036,281	15,628,916
Restricted for debt service	91,171	1,424,356	-
Restricted for depreciation	4,823,213	2,673,768	-
Restricted for SRF construction	-	19,809,884	-
Restricted for federal grant requirements	-	-	38,019
Unrestricted	6,232,381	6,882,455	470,953
	<hr/>	<hr/>	<hr/>
Total net assets	\$ 37,830,305	\$ 45,826,744	\$ 16,137,888

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

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007

	<u>Water</u>	<u>Wastewater</u>	<u>Aviation</u>
Operating revenues:			
Flat rate revenues	\$ -	\$ 198,282	\$ -
Measured revenue:			
Residential	2,877,989	5,406,589	-
Commercial	476,544	901,768	-
Industrial	648,097	1,208,493	-
Penalties	19,486	98,443	-
Hydrant rentals/sprinkler systems	695,759	-	-
Airport operating revenues	-	-	137,222
Farming	-	-	344,834
Rental	-	-	528,162
Other	<u>234,284</u>	<u>119,522</u>	<u>7,067</u>
 Total operating revenues	 <u>4,952,159</u>	 <u>7,933,097</u>	 <u>1,017,285</u>
 Operating expenses:			
Source of supply and expense/collection system expense -			
Operations and maintenance:			
Salaries and wages	190,034	296,423	-
Employee pensions and benefits	13,600	21,136	-
Materials and supplies	5,122	30,575	-
Fuel for power production	-	23,112	-
Chemicals	-	16,697	-
Treatment and disposal expense-operations and maintenance:			
Salaries and wages	-	763,804	-
Employee pensions and benefits	-	54,887	-
Purchase power	-	284,560	-
Fuel for power production	-	11,518	-
Materials and supplies	-	82,324	-
Contractual services	-	106,090	-
Other	-	302,291	-
Transmission and distribution/pumping expense -			
Operations and maintenance:			
Salaries and wages	520,202	137,643	-
Employee pensions and benefits	37,794	9,806	-
Chemicals	8,587	-	-
Materials and supplies	187,565	24,236	-
Purchase power	32,028	81,768	-
Fuel for power production	33,675	-	-
Other	4,721	-	-
Water treatment expense - operations and maintenance:			
Salaries and wages	332,049	-	-
Employee pensions and benefits	23,801	-	-
Purchase power	433,326	-	-
Fuel for power production	14,018	-	-
Chemicals	81,688	-	-
Materials and supplies	193,300	-	-
Other	16,578	-	-

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

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2007
(Continued)

	<u>Water</u>	<u>Wastewater</u>	<u>Aviation</u>
Operating expenses (continued):			
Customer accounts expense:			
Salaries and wages	82,877	57,708	-
Employee pensions and benefits	6,009	4,176	-
Materials and supplies	12,539	32,691	-
Contractual services	23,883	-	-
Administrative and general expense:			
Salaries and wages	202,242	256,986	308,484
Employee pensions and benefits	385,458	448,940	-
Materials and supplies	69,813	120,835	68,345
Contractual services	175,266	153,695	401,901
Purchase power	15,534	61,804	-
Depreciation and amortization	735,444	936,847	435,603
Properties	-	-	75,000
Other	245,693	184,093	12,761
	<u>4,082,846</u>	<u>4,504,645</u>	<u>1,302,094</u>
 Total operating expenses			
	<u>4,082,846</u>	<u>4,504,645</u>	<u>1,302,094</u>
 Operating income (loss)	<u>869,313</u>	<u>3,428,452</u>	<u>(284,809)</u>
 Nonoperating revenues (expenses):			
Interest and investment revenue	546,169	1,757,798	41,371
Rent	85,200	260,417	-
Gain/(loss) on disposal of capital assets	(29,852)	(13,719)	(5,500)
Interest expense	(172,681)	(1,186,787)	-
Amortization of bond issue costs	(16,803)	(75,832)	-
	<u>412,033</u>	<u>741,877</u>	<u>35,871</u>
 Total nonoperating revenues (expenses)			
	<u>412,033</u>	<u>741,877</u>	<u>35,871</u>
 Income (loss) before contributions and transfers	1,281,346	4,170,329	(248,938)
 Capital contributions	648,608	752,156	2,609,458
Transfers out	-	-	(16,310)
	<u>1,929,954</u>	<u>4,922,485</u>	<u>2,344,210</u>
 Change in net assets			
	<u>1,929,954</u>	<u>4,922,485</u>	<u>2,344,210</u>
 Total net assets - beginning	<u>35,900,351</u>	<u>40,904,259</u>	<u>13,793,678</u>
 Total net assets - ending	<u>\$ 37,830,305</u>	<u>\$ 45,826,744</u>	<u>\$ 16,137,888</u>

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

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
As Of And For The Year Ended December 31, 2007

	<u>Water</u>	<u>Wastewater</u>	<u>Aviation</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,975,567	\$ 7,981,061	\$ 1,021,906
Payments to suppliers and contractors	(1,457,316)	56,929	(544,923)
Payments to employees	(1,787,196)	(2,040,514)	(307,021)
Other receipts (payments)	<u>87,705</u>	<u>260,417</u>	<u>-</u>
Net cash provided by operating activities	<u>1,818,760</u>	<u>6,257,893</u>	<u>169,962</u>
Cash flows from noncapital financing activities:			
Transfer to other funds	<u>-</u>	<u>-</u>	<u>(16,310)</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,632,758)	(10,610,021)	(2,694,535)
Principal paid on capital debt	(45,000)	(775,000)	-
Interest paid on capital debt	(156,291)	(995,264)	-
Capital contributions	<u>-</u>	<u>-</u>	<u>2,609,458</u>
Net cash used by capital and related financing activities	<u>(1,834,049)</u>	<u>(12,380,285)</u>	<u>(85,077)</u>
Cash flows from investing activities:			
Net proceeds from investment activity	-	3,648,310	-
Interest received	<u>563,433</u>	<u>1,677,237</u>	<u>41,371</u>
Net cash provided by investing activities	<u>563,433</u>	<u>5,325,547</u>	<u>41,371</u>
Net increase (decrease) in cash and cash equivalents	548,144	(796,845)	109,946
Cash and cash equivalents, January 1	<u>384,046</u>	<u>5,836,762</u>	<u>934,498</u>
Cash and cash equivalents, December 31	<u>\$ 932,190</u>	<u>\$ 5,039,917</u>	<u>\$ 1,044,444</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	<u>\$ 869,313</u>	<u>\$ 3,428,452</u>	<u>\$ (284,809)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	735,444	936,847	435,603
(Increase) decrease in assets:			
Accounts receivable - customer	22,715	56,512	8,357
Accounts receivable - other	-	(7,993)	-
Prepaid items	5,928	6,322	740
Notes receivable	693	(555)	-
Inventory	31,799	2,318	-
Misc. nonoperating income	85,200	260,417	-
Increase (decrease) in liabilities:			
Accounts payable	57,817	39,414	51,805
Wages payable	5,742	7,245	1,463
Contracts payable	-	1,580,283	(39,461)
Taxes payable	2,505	-	-
Notes payable	-	(72,000)	-
Deferred revenue	-	-	(3,736)
Compensated absence payable	1,128	3,750	-
Customer deposits	<u>476</u>	<u>16,881</u>	<u>-</u>
Total adjustments	<u>949,447</u>	<u>2,829,441</u>	<u>454,771</u>
Net cash provided by operating activities	<u>\$ 1,818,760</u>	<u>\$ 6,257,893</u>	<u>\$ 169,962</u>
Noncash investing, capital and financing activities:			
Contributions of capital assets from developers	<u>\$ 648,608</u>	<u>\$ 752,156</u>	<u>\$ -</u>

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

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and the Commission and are not intended to present fairly the position of the City of Columbus (City), and the results of its operations and cash flows of its enterprise funds. The Utilities and the Commission, whose operations are controlled by the City, represents a substantial portion 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 City has elected not to follow subsequent private-sector guidance.

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 and the Commission's 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 and the Commission 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.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

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 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
	Aviation	Utilities		
Buildings and improvements	\$ 5,000	\$ 500	Straight-line	67 to 80 years
Improvements other than buildings	5,000	500	Straight-line	20 to 80 years
Machinery and equipment	5,000	500	Straight-line	5 to 20 years
Transportation	5,000	500	Straight-line	5 to 10 years

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$1,359,468. Of the amount, none was included as part of the cost of capital assets under construction.

5. Compensated Absences

- a. Sick Leave – Employees of the Utilities and the Commission earn sick leave at the rate of 6 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees.
- b. Vacation Leave – Employees of the Utilities and the Commission 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 10 days. Accumulated vacation leave is paid to employees through cash payments.
- c. Personal Leave – Employees of the Utilities and the Commission earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Vacation leave is accrued when incurred.

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.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 237,523	\$ -	\$ -	\$ 237,523
Construction in progress	317,329	820,811	215,437	922,703
Capital assets, being depreciated:				
Buildings and structures	36,216,784	1,566,091	37,454	37,745,421
Machinery and equipment	2,112,814	45,630	36,078	2,122,366
Transportation equipment	361,266	42,690	49,059	354,897
Office equipment, furniture, and fixtures	722,100	19,476	36,508	705,068
Fully depreciated assets	691,171	103,264	235,714	558,721
Less accumulated depreciation for:				
Buildings and structures	(10,256,745)	(555,456)	(34,387)	(10,777,814)
Machinery and equipment	(821,781)	(107,751)	(32,567)	(896,965)
Transportation equipment	(164,611)	(36,127)	(48,568)	(152,170)
Office equipment, furniture, and fixtures	(258,812)	(36,110)	(15,830)	(279,092)
Fully depreciated assets	(691,171)	(103,264)	(235,714)	(558,721)
Total water utility capital asset, net	28,465,867	1,759,254	243,184	29,981,937
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 1,214,439	\$ 322,265	\$ -	\$ 1,536,704
Construction in progress	1,760,786	9,950,655	-	11,711,441
Capital assets, being depreciated:				
Buildings and structures	42,761,357	891,687	970	43,652,074
Machinery and equipment	5,899,994	171,867	22,960	6,048,901
Transportation equipment	532,797	15,397	53,500	494,694
Office equipment, furniture, and fixtures	418,753	10,306	61,209	367,850
Fully depreciated assets	423,676	63,437	383	486,730
Less accumulated depreciation for:				
Buildings and structures	(11,386,256)	(567,382)	(73)	(11,953,565)
Machinery and equipment	(2,921,792)	(295,302)	(22,960)	(3,194,134)
Transportation equipment	(248,931)	(53,280)	(53,500)	(248,711)
Office equipment, furniture, and fixtures	(270,286)	(20,883)	(48,387)	(242,782)
Fully depreciated assets	(423,676)	(63,437)	(383)	(486,730)
Total wastewater utility capital asset, net	37,760,861	10,425,330	13,719	48,172,472
Aviation Commission:				
Capital assets, not being depreciated:				
Land	\$ 2,009,644	\$ -	\$ -	\$ 2,009,644
Construction in progress	2,122,581	2,663,907	2,314,293	2,472,195
Capital assets, being depreciated:				
Buildings	3,314,890	-	-	3,314,890
Improvements other than buildings	14,543,001	2,162,715	-	16,705,716
Machinery and equipment	362,307	23,193	11,000	374,500
Transportation equipment	162,109	159,014	-	321,123

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Aviation Commission (continued):				
Less accumulated depreciation for:				
Buildings and structures	(2,212,271)	(71,336)	-	(2,283,607)
Improvements other than buildings	(6,614,750)	(312,833)		(6,927,583)
Machinery and equipment	(180,296)	(38,745)	(5,500)	(213,541)
Transportation equipment	(131,732)	(12,689)	-	(144,421)
Total aviation commission capital asset, net	13,375,483	4,573,226	2,319,793	15,628,916
Total business-type activity capital asset, net	\$ 79,602,211	\$ 16,757,810	\$ 2,576,696	\$ 93,783,325

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

Water	\$ 735,444
Wastewater	936,847
Aviation Commission	<u>435,603</u>
Total depreciation expense	<u>\$ 2,107,894</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2007	Committed	Required Future Funding
Water Utility projects	\$ 1,097,726	\$ 922,703	\$ 175,023	\$ -
Wastewater Utility projects	32,906,993	11,711,441	21,195,552	-
Aviation Commission projects	<u>2,837,895</u>	<u>2,472,195</u>	<u>365,700</u>	-
Totals	<u>\$ 36,842,614</u>	<u>\$ 15,106,339</u>	<u>\$ 21,736,275</u>	<u>\$ -</u>

D. Interfund Balances and Activity

Interfund Transfers

Interfund transfers at December 31, 2007, were as follows:

Transfer From	Transfer To	Amount
Aviation Commission	Insurance Fund	<u>\$ 16,310</u>

The Commission transferred the unused portion of its health insurance appropriation to the insurance fund.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	Amount
2005 Waterworks Refunding Revenue Bond	2.80 to 4.25%	\$ 3,335,000
2005 Sewage Works Refunding Revenue Bond	4.00%	<u>3,450,000</u>
Total		<u>\$ 6,785,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2008	\$ 45,000	\$ 134,300	\$ 810,000	\$ 121,800
2009	605,000	121,300	845,000	88,700
2010	625,000	96,700	880,000	54,200
2011	655,000	71,100	915,000	18,300
2012	685,000	44,300	-	-
2013	720,000	15,300	-	-
Totals	<u>\$ 3,335,000</u>	<u>\$ 483,000</u>	<u>\$ 3,450,000</u>	<u>\$ 283,000</u>

2. State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of the Royal View Sewer Improvement Project and the New Wastewater Treatment Plant. Funds were loaned to the Utility as construction costs accrued to the maximum allowed. The Royal View Sewer Improvement Project loan established a maximum draw of \$400,000; the Combined Sewer Overflow Project loan established a maximum draw of \$27,449,000. At the completion of construction, the outstanding principal balance of \$399,717 and \$27,449,000 was amortized over a period of 21 years. Annual debt service requirements to maturity for these loans are as follows:

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended December 31	Principal	Interest
2008	\$ 267,000	\$ 1,010,307
2009	274,000	1,000,366
2010	283,000	990,122
2011	293,000	979,520
2012	1,256,000	951,161
2013-2017	7,000,000	4,019,443
2018-2022	8,376,717	2,617,298
2023-2027	10,024,000	940,861
Totals	<u>\$ 27,773,717</u>	<u>\$ 12,509,078</u>

3. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 3,380,000	\$ -	\$ 45,000	\$ 3,335,000	\$ 45,000
Less deferred on refunding	(178,562)	-	(28,955)	(149,607)	-
Add unamortized premium	74,363	-	12,059	62,304	-
Total Water Utility	3,275,801	-	28,104	3,247,697	45,000
Wastewater Utility	4,210,000	-	760,000	3,450,000	810,000
Less deferred amount	(203,675)	-	(49,634)	(154,041)	-
Add unamortized premium	70,877	-	17,100	53,777	-
Total Wastewater Utility	4,077,202	-	727,466	3,349,736	810,000
Note payable	72,000	-	72,000	-	-
State revolving loan	27,788,717	-	15,000	27,773,717	267,000
Total long-term liabilities	<u>\$ 35,213,720</u>	<u>\$ -</u>	<u>\$ 842,570</u>	<u>\$ 34,371,150</u>	<u>\$ 1,122,000</u>

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Restricted Assets

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

	Water Utility	Wastewater Utility	Aviation Commission
Bond and interest	\$ 90,076	\$ 1,374,826	\$ -
Bond reserve	-	32,095	-
Depreciation	4,789,631	2,549,263	-
Customer deposits	84,583	125,262	-
SRF construction	-	19,809,884	-
FAA grant	-	-	38,019
	<u> </u>	<u> </u>	<u> </u>
Total restricted assets	<u>\$ 4,964,290</u>	<u>\$ 23,891,330</u>	<u>\$ 38,019</u>

III. Other Information

A. Risk Management

The Utilities and the Commission 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; 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; 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 and Injuries to Employees

The City, including the Utilities and the Commission, has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees. The risk financing fund is where assets are set aside for claims settlements. An excess policy through commercial insurance covers individual claims in excess of \$500,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claims reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages, and are reported as quasi-external inter-fund transactions.

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees, Retirees, and Dependents

The City, including the Utilities and the Commission, has chosen to establish a risk financing fund for medical benefits to employees. The risk financing fund is where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$90,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls 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 fund's gross wages, and are reported as quasi-external interfund transactions.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on November 15, 1992. The Water Utility has 16,474 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on May 4, 1992, with a rate increase approved on March 7, 2006. The Wastewater Utility has 16,274 customers.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities and Commission, 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 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

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

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

Actuarial Information for the PERF

	PERF
Annual required contribution	\$ 478,701
Interest on net pension obligation	(6,638)
Adjustment to annual required contribution	7,564
Annual pension cost	479,627
Contributions made	393,981
Increase (decrease) in net pension obligation	85,646
Net pension obligation, beginning of year	(91,552)
Net pension obligation, end of year	\$ (5,906)
Contribution rates:	
Utilities and Commission	5.50%
Plan members	3%
Actuarial valuation date	07-01-07
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	4 year smoothed market

Actuarial Assumptions

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%

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
 CITY OF COLUMBUS
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-05	\$ 338,720	93%	\$ (158,526)
	06-30-06	426,058	84%	(91,552)
	06-30-07	479,627	82%	(5,906)

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
 CITY OF COLUMBUS
 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)
07-01-05	6,331,234	7,682,218	(1,350,984)	82%	6,346,344	(21%)
07-01-06	7,340,740	8,363,060	(1,022,320)	88%	6,881,804	(15%)
07-01-07	8,170,187	8,850,186	(679,999)	92%	6,824,124	(10%)

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
AUDIT RESULTS AND COMMENTS

COLLECTION OF AMOUNTS DUE (Applies to Aviation Commission)

The amount of \$19,590.40 was due from Rhoades Aviation and Toyota as of December 31, 2007, for fuel flowage. This amount represents accounts overdue of up to five months.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

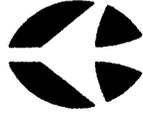
INTERNAL CONTROLS OVER MEASURING WATER OUTPUT (Applies to Water Utility)

Controls over the monitoring and measuring of water flow output are insufficient. The master meter, which measures total water output, at the Columbus Water Plant has been nonoperational for a number of years. Therefore, it is impossible to determine if all the water pumped out of the plant has been billed to customers.

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)

WATER UTILITY, WASTEWATER UTILITY, AND AVIATION COMMISSION
CITY OF COLUMBUS
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2008, with Fred L. Armstrong, Mayor; Brenda Sullivan, Clerk-Treasurer; Dale Langferman, Utility Business Manager; Dana L. Herr, President of the Aviation Commission; and Rod R. Blasdel, Airport Manager. The official response has been made a part of this report and may be found on pages 29 and 30.



September 12, 2008

State Board of Accounts
302 Washington St., Room E 418
Indianapolis, IN 46204-2765

RE: Official Response to Field Audit for City of Columbus regarding accounts receivable of the Columbus Municipal Airport

To Whom It May Concern,

Pursuant to your request after initial audit for the City of Columbus and the finding regarding the delinquency of two accounts receivable for the Columbus Municipal Airport the following plan has been implemented.

Discussions with principles of the Fixed Base Operator, Rhoades Aviation, have occurred and \$8,374.44 of the delinquency for utilities and fuel flowage for 2008 have been paid as of September 4th 2008. The remaining balance of \$6,010.20 for fuel flowage for June and July of 2008 shall be paid within sixty (60) days of September 15, 2008 in two equal payments occurring on Oct. 15 2008 and Nov. 15, 2008. Rhoades will maintain the current payments due for fuel flowage on the 20th of the following month as per the original agreement. All delinquencies for 2007 fuel flowage fees as shown in the audit were paid on December 28, 2007 and February 1st 2008.

The president of the Board and Airport Manager have agreed that in the future, delinquencies of more than 30 days shall be shown on the financial report to the board so they receive timely notice of delinquent accounts. This will allow debt collection attempts and potentially referring the matter to the attorney for the board for collection or other legal action.

It has been the contention of the Columbus Municipal Airport that Toyota was only in arrears for the fuel flowage on October 31st 2007 as the fuel flowage for December would have been due in January. Our records show that Toyota paid for the October fuel flowage in January combined with the December 2007 bill. The failure to collect for this appears to have been an isolated oversight because Toyota did not obtain fuel in November 2007 which was not typical.

Toyota has an excellent payment record and the Board does not believe this to be a continuing issue. However, if it occurs in the future the new policy of showing delinquent accounts of more than 30 days on the financial report at the monthly meetings will allow for quick remedial action by the board.

Best regards,

A handwritten signature in black ink, appearing to read 'Rod Blasdel', with a large, stylized flourish at the end.

Rod Blasdel
Airport Manager
Columbus Municipal Airport