

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

EXAMINATION REPORT  
OF  
CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
WHITLEY COUNTY, INDIANA  
January 1, 2009 to December 31, 2009



**FILED**  
12/29/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosie M. Coyle	01-01-08 to 12-31-11
Mayor	James R. Fleck	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	James R. Fleck	01-01-08 to 12-31-11
President of the Common Council	Walter C. Crowder	01-01-09 to 12-31-10
Superintendent of Water Utility	Michael D. Dear	01-01-09 to 12-31-10
Superintendent of Wastewater Utility	Michel C. Cook	01-01-09 to 12-31-10
Superintendent of Electric Utility	Larry G. Whetstone	01-01-09 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined 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, 2009. The Utilities' management is responsible for the financial statements presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statement presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Utilities are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the 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, 2009, 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, 2009, 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 examine the information and express no opinion on it.

The Utilities have not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

November 1, 2010

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
STATEMENT OF NET ASSETS  
December 31, 2009

<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	\$ 68,700	\$ -	\$ 735,956	\$ 765,700
Accounts receivable (net of allowance)	128,077	303,389	887,793	46,502
Inventories	94,556	-	557,281	-
Prepaid items	31,832	36,899	68,396	-
	<u>323,165</u>	<u>340,288</u>	<u>2,249,426</u>	<u>812,202</u>
<b>Total current assets</b>				
<b>Noncurrent assets:</b>				
<b>Restricted cash, cash equivalents and investments:</b>				
Depreciation	24,764	-	83,551	-
Bond and interest	58,304	-	-	-
Construction	149,618	-	-	-
Cash reserve	24,688	9,856	280,363	-
Customer deposits	37,030	-	221,645	-
Debt service reserve	271,703	-	-	-
Cash with fiscal agent - sinking	-	750,600	-	-
Cash with fiscal agent - debt service reserve	-	833,097	-	-
	<u>566,107</u>	<u>1,593,553</u>	<u>585,559</u>	<u>-</u>
<b>Total restricted assets</b>				
<b>Deferred charges:</b>				
Deferred loss on advanced refunding	40,146	-	-	-
Unamortized bond issuance costs	118,682	165,164	-	-
	<u>158,828</u>	<u>165,164</u>	<u>-</u>	<u>-</u>
<b>Total deferred charges</b>				
<b>Capital assets:</b>				
Land, improvements to land and construction in progress	15,554	7,270,568	223,573	65,147
Land held for resale	-	-	1,981	-
Other capital assets (net of accumulated depreciation)	6,379,216	21,824,659	4,516,189	1,966
	<u>6,394,770</u>	<u>29,095,227</u>	<u>4,741,743</u>	<u>67,113</u>
<b>Total capital assets</b>				
<b>Total noncurrent assets</b>				
	<u>7,119,705</u>	<u>30,853,944</u>	<u>5,327,302</u>	<u>67,113</u>
<b>Total assets</b>				
	<u>7,442,870</u>	<u>31,194,232</u>	<u>7,576,728</u>	<u>879,315</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	12,783	26,207	647,343	3,593
Taxes payable	12,580	-	58,662	-
Compensated absences	22,068	12,015	77,099	11,256
Other	-	-	35,000	-
<b>Current liabilities payable from restricted assets:</b>				
Customer deposits	37,030	-	221,645	-
Revenue bonds payable	142,000	-	-	-
Loans payable	-	925,000	-	-
Accrued interest payable	32,251	307,658	-	-
	<u>258,712</u>	<u>1,270,880</u>	<u>1,039,749</u>	<u>14,849</u>
<b>Total current liabilities</b>				
<b>Noncurrent liabilities:</b>				
Loans payable	-	19,154,545	-	-
Revenue bonds payable	2,669,000	-	-	-
	<u>2,669,000</u>	<u>19,154,545</u>	<u>-</u>	<u>-</u>
<b>Total noncurrent liabilities</b>				
<b>Total liabilities</b>				
	<u>2,927,712</u>	<u>20,425,425</u>	<u>1,039,749</u>	<u>14,849</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	3,583,770	9,015,682	4,741,743	67,113
Restricted for debt service	330,007	1,583,697	-	-
Restricted for construction	149,618	-	-	-
Restricted for other purposes	86,482	9,856	585,559	-
Unrestricted	365,281	159,572	1,209,677	797,353
	<u>\$ 4,515,158</u>	<u>\$ 10,768,807</u>	<u>\$ 6,536,979</u>	<u>\$ 864,466</u>
<b>Total net assets</b>				

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, 2009

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>	<u>Storm Water Utility</u>
Operating revenues:				
Residential sales	\$ 538,493	\$ -	\$ 3,432,110	\$ -
Commercial sales	277,934	-	2,022,215	-
Industrial sales	124,145	-	3,207,803	-
Municipal sales	-	-	117,819	-
Other sales	48,361	-	-	-
Residential, commercial and industrial sales	-	3,262,923	-	437,251
Security lights	-	-	38,261	-
Public street and highway lighting	-	-	70,023	-
Franchises	-	-	28,327	-
Public fire protection	273,289	-	-	-
Private fire protection	66,113	-	-	-
Penalties	6,397	44,482	39,065	6,242
Other	53,054	-	61,087	311
	<u>1,387,786</u>	<u>3,307,405</u>	<u>9,016,710</u>	<u>443,804</u>
Total operating revenues				
Operating expenses:				
Sources of supply	46,014	-	-	-
Water treatment	145,872	-	-	-
Transmission and distribution	306,957	-	-	-
Purchased power	-	-	6,679,635	-
Distribution	-	-	780,053	-
Sewer maintenance	-	53,176	-	-
Plant maintenance	-	395,534	-	-
Lift station expense	-	270,501	-	-
Collection expense	-	41,234	-	-
Storm water maintenance	-	-	-	140,828
Customer accounts	77,789	-	85,434	-
Administration and general	514,267	648,764	1,316,181	238,654
Depreciation	149,451	1,117,767	503,003	-
	<u>1,240,350</u>	<u>2,526,976</u>	<u>9,364,306</u>	<u>379,482</u>
Total operating expenses				
Operating income	<u>147,436</u>	<u>780,429</u>	<u>(347,596)</u>	<u>64,322</u>
Nonoperating revenues (expenses):				
Interest income	2,080	3,098	4,408	2,030
Rental income	-	-	36,267	-
Tap fees	-	36,718	-	-
Miscellaneous revenue	2,469	11,789	4,738	-
Sale of assets	1,805	-	-	-
Payment in lieu of taxes	(33,000)	(135,000)	(117,000)	-
Interest expense	(132,248)	(481,068)	-	-
Amortization expense	(11,255)	(8,140)	-	-
	<u>(170,149)</u>	<u>(572,603)</u>	<u>(71,587)</u>	<u>2,030</u>
Total nonoperating revenues (expenses)				
Change in net assets	(22,713)	207,826	(419,183)	66,352
Total net assets - beginning	<u>4,537,871</u>	<u>10,560,981</u>	<u>6,956,162</u>	<u>798,114</u>
Total net assets - ending	<u>\$ 4,515,158</u>	<u>\$ 10,768,807</u>	<u>\$ 6,536,979</u>	<u>\$ 864,466</u>

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

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
STATEMENT OF CASH FLOWS  
As Of And For The Year Ended December 31, 2009

	Water Utility	Wastewater Utility	Electric Utility	Storm Water Utility
Cash flows from operating activities:				
Receipts from customers	\$ 1,378,799	\$ 3,322,236	\$ 9,023,948	\$ 437,083
Payments to suppliers and contractors	(331,133)	(600,510)	(7,439,444)	(143,592)
Payments to employees	(769,163)	(825,405)	(1,276,088)	(233,873)
Net cash provided by operating activities	<u>278,503</u>	<u>1,896,321</u>	<u>308,416</u>	<u>59,618</u>
Cash flows from noncapital financing activities:				
Payment in lieu of taxes	(33,000)	(135,000)	(117,000)	-
Cash flows from capital and related financing activities:				
Bond issue costs paid	-	(27,420)	-	-
Acquisition and construction of capital assets	(160,335)	(603,228)	(25,745)	(33,738)
Principal paid on capital debt	(137,000)	(898,000)	-	-
Interest paid on capital debt	(133,805)	(595,072)	-	-
Other non-operating revenue/expense	4,274	48,507	41,005	-
Net cash provided (used) by capital and related financing activities	<u>(426,866)</u>	<u>(2,075,213)</u>	<u>15,260</u>	<u>(33,738)</u>
Cash flows from investing activities:				
Interest received	2,080	3,098	4,408	2,030
Net increase (decrease) in cash and cash equivalents	(179,283)	(310,794)	211,084	27,910
Cash and cash equivalents, January 1	814,090	1,904,347	1,110,431	737,790
Cash and cash equivalents, December 31	<u>\$ 634,807</u>	<u>\$ 1,593,553</u>	<u>\$ 1,321,515</u>	<u>\$ 765,700</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 147,436	\$ 780,429	\$ (347,596)	\$ 64,322
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	149,451	1,117,767	503,003	-
(Increase) decrease in assets:				
Accounts receivable	(886)	14,831	(34,891)	(6,721)
Inventories	309	-	49,110	-
Prepaid items	(8,410)	5,686	(6,981)	-
Increase (decrease) in liabilities:				
Accounts payable	5,286	1,547	93,167	2,017
Taxes payable	(39)	-	(6,906)	-
Contracts payable	-	(10,727)	-	-
Compensated absence payable	(16,509)	(13,212)	18,820	-
Other	-	-	35,000	-
Customer deposits	1,865	-	5,690	-
Total adjustments	<u>131,067</u>	<u>1,115,892</u>	<u>656,012</u>	<u>(4,704)</u>
Net cash provided by operating activities	<u>\$ 278,503</u>	<u>\$ 1,896,321</u>	<u>\$ 308,416</u>	<u>\$ 59,618</u>
Noncash investing, capital and financing activities:				
Capital assets acquired through loan payable	\$ -	\$ 934,217	\$ -	\$ -

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 Municipal Utilities (Utilities) and are not intended to present fairly the 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 Utilities to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

CITY OF 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	Straight line	10 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Utilities during the current year was \$748,181. Of the amount, \$134,865 was included as part of the cost of capital assets under construction in connection with Water Pollution Control Blue River Interceptor Sewer project.

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

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Utilities do not have a deposit policy for custodial credit risk. At December 31, 2009, the Utilities had deposit balances in the amount of \$4,315,575.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Statutory Authorization for Investments

Indiana Code 5-13-9 authorizes the Utilities to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Utilities to invest in

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

securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Utilities and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Utilities may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Utilities' purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Utilities do not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Utilities do not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Utilities do not have a formal investment policy for credit risk for investments.

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Utilities do not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Utilities do not have a formal policy in regards to foreign currency risk.

B. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

<u>Water Utility</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 7,654	\$ -	\$ -	\$ 7,654
Construction in progress	<u>9,085</u>	<u>86,500</u>	<u>87,685</u>	<u>7,900</u>
Total capital assets, not being depreciated	<u>16,739</u>	<u>86,500</u>	<u>87,685</u>	<u>15,554</u>
Capital assets, being depreciated:				
Buildings	1,587,879	12,347	-	1,600,226
Improvements other than buildings	6,278,626	78,600	-	6,357,226
Machinery and equipment	<u>569,646</u>	<u>73,834</u>	<u>66,559</u>	<u>576,921</u>
Totals	<u>8,436,151</u>	<u>164,781</u>	<u>66,559</u>	<u>8,534,373</u>
Less accumulated depreciation for:				
Buildings	466,782	23,818	-	490,600
Improvements other than buildings	1,409,818	91,942	31,164	1,470,596
Machinery and equipment	<u>192,404</u>	<u>36,952</u>	<u>35,395</u>	<u>193,961</u>
Totals	<u>2,069,004</u>	<u>152,712</u>	<u>66,559</u>	<u>2,155,157</u>
Total capital assets, being depreciated, net	<u>6,367,147</u>	<u>12,069</u>	<u>-</u>	<u>6,379,216</u>
Total capital assets, net	<u>\$ 6,383,886</u>	<u>\$ 98,569</u>	<u>\$ 87,685</u>	<u>\$ 6,394,770</u>
<u>Wastewater Utility</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 23,396	\$ -	\$ -	\$ 23,396
Construction in progress	<u>5,637,028</u>	<u>1,610,144</u>	<u>-</u>	<u>7,247,172</u>
Total capital assets, not being depreciated	<u>5,660,424</u>	<u>1,610,144</u>	<u>-</u>	<u>7,270,568</u>

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

<u>Wastewater Utility (continued):</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings	7,724,352	-	75,401	7,648,951
Improvements other than buildings	12,037,405	2,927	-	12,040,332
Machinery and equipment	8,166,948	59,239	22,396	8,203,791
	<u>27,928,705</u>	<u>62,166</u>	<u>97,797</u>	<u>27,893,074</u>
Totals				
Less accumulated depreciation for:				
Buildings	727,788	193,109	75,401	845,496
Improvements other than buildings	4,061,732	305,680	-	4,367,412
Machinery and equipment	258,925	618,978	22,396	855,507
	<u>5,048,445</u>	<u>1,117,767</u>	<u>97,797</u>	<u>6,068,415</u>
Totals				
Total capital assets, being depreciated, net	<u>22,880,260</u>	<u>(1,055,601)</u>	<u>-</u>	<u>21,824,659</u>
Total capital assets, net	<u>\$ 28,540,684</u>	<u>\$ 554,543</u>	<u>\$ -</u>	<u>\$ 29,095,227</u>
<u>Electric Utility</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 223,573	\$ -	\$ -	\$ 223,573
Land held for resale	1,981	-	-	1,981
	<u>225,554</u>	<u>-</u>	<u>-</u>	<u>225,554</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	1,566,314	-	-	1,566,314
Improvements other than buildings	9,406,872	-	11,500	9,395,372
Machinery and equipment	1,791,906	25,745	40,491	1,777,160
	<u>12,765,092</u>	<u>25,745</u>	<u>51,991</u>	<u>12,738,846</u>
Totals				
Less accumulated depreciation for:				
Buildings	981,685	54,820	-	1,036,505
Improvements other than buildings	5,660,170	329,242	11,500	5,977,912
Machinery and equipment	1,129,790	118,941	40,491	1,208,240
	<u>7,771,645</u>	<u>503,003</u>	<u>51,991</u>	<u>8,222,657</u>
Totals				
Total capital assets, being depreciated, net	<u>4,993,447</u>	<u>(477,258)</u>	<u>-</u>	<u>4,516,189</u>
Total capital assets, net	<u>\$ 5,219,001</u>	<u>\$ (477,258)</u>	<u>\$ -</u>	<u>\$ 4,741,743</u>

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

<u>Storm Water Utility</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 33,375	\$ 31,772	\$ -	\$ 65,147
Capital assets, being depreciated:				
Machinery and equipment	-	1,966	-	1,966
Total capital assets, net	<u>\$ 33,375</u>	<u>\$ 33,738</u>	<u>\$ -</u>	<u>\$ 67,113</u>

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

	<u>2009</u>
Water	\$ 149,451
Wastewater	1,117,767
Electric	<u>503,003</u>
Total depreciation expense	<u>\$ 1,770,221</u>

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2009</u>	<u>Committed</u>
Water Utility:			
Water main improvements	<u>\$ 67,900</u>	<u>\$ 7,900</u>	<u>\$ 60,000</u>
Wastewater Utility:			
Blue River interceptor sewer	\$ 6,928,000	\$ 6,478,597	\$ 449,403
Chauncey Street interceptor sewer	8,248,500	750,661	7,497,839
Lift station modification	<u>61,200</u>	<u>17,914</u>	<u>43,286</u>
Total Wastewater Utility	<u>\$ 15,237,700</u>	<u>\$ 7,247,172</u>	<u>\$ 7,990,528</u>
Storm Water Utility:			
Storm Water separation and construction	<u>\$ 6,598,300</u>	<u>\$ 65,147</u>	<u>\$ 6,533,153</u>

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

D. Interfund Balances and Activity

Interfund Transfers

Interfund transfers at December 31, 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2009</u>
Water Utility - Cash Reserve Fund	General Fund	\$ 33,000
Water Utility - Operating Fund	Information Services Fund	5,000
Wastewater Utility - Cash Reserve Fund	General Fund	135,000
Wastewater Utility - Operating Fund	Wayne Waste Financial Assurance Fund	23,000
Wastewater Utility - Operating Fund	Information Services Fund	10,000
Electric Utility - Cash Reserve Fund	General Fund	117,000
Electric Utility - Operating Fund	Wayne Waste Financial Assurance Fund	32,000
Electric Utility - Operating Fund	Information Services Fund	10,000
Storm Water Utility - Operating Fund	Information Services Fund	8,000
		<hr/>
Total		\$ 373,000
		<hr/> <hr/>

The Utilities typically uses transfers to fund ongoing operating subsidies.

E. Long-Term Liabilities

1. Revenue Bonds

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Balance at December 31</u>
2004 Waterworks refunding	4.7%	\$ 1,279,000
2006 Waterworks north pressure booster station	4.5%	1,532,000
		<hr/>
Total		\$ 2,811,000
		<hr/> <hr/>

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

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility	
	Principal	Interest
2010	\$ 142,000	\$ 127,438
2011	150,000	120,794
2012	156,000	113,804
2013	164,000	106,515
2014	172,000	98,856
2015-2019	988,000	365,971
2020-2024	794,000	138,373
2025-2029	245,000	13,927
Totals	\$ 2,811,000	\$ 1,085,678

2. Notes and Loans Payable

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, 2009, the loan principal balance was \$15,111,000 for the Wastewater WPCF upgrade and \$4,968,545 for the Blue River Interceptor Sewer project. Annual debt service requirements for the State Revolving Loan Fund loan for the Blue River Interceptor Sewer project will not be determined until the construction project is completed. Annual debt service requirements for the State Revolving Loan Fund loan for the Wastewater WPCF upgrade is as follows:

	Principal	Interest
2010	\$ 659,000	\$ 470,846
2011	680,000	449,930
2012	702,000	428,337
2013	724,000	406,051
2014	747,000	383,056
2015-2019	4,104,000	1,544,319
2020-2024	4,799,000	850,043
2025-2029	2,696,000	128,724
Totals	\$ 15,111,000	\$ 4,661,306

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

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ 2,948,000	\$ -	\$ 137,000	\$ 2,811,000	\$ 142,000
Wastewater Utility:					
Loans payable	\$ 20,043,328	\$ 934,217	\$ 898,000	\$ 20,079,545	\$ 925,000

F. Restricted Assets

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

	Water Utility	Wastewater Utility	Electric Utility
Depreciation	\$ 24,764	\$ -	\$ 83,551
Bond and interest	58,304	-	-
Debt service reserve	271,703	1,583,697	-
Construction	149,618	-	-
Internally restricted	24,688	9,856	280,363
Customer deposits	37,030	-	221,645
Total restricted assets	\$ 566,107	\$ 1,593,553	\$ 585,559

G. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specified operating expenditures, to repay revenue bonds issued in 2004 and 2006. Proceeds from the bonds provided financing for water works improvements. The bonds are payable solely from net operating revenues and are payable through 2026. Annual principal and interest payments are expected to require less than 20% of revenues.

Wastewater Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specified operating expenditures, to repay State Revolving Fund loans issued in 2005 and 2006. Proceeds from the bonds provided financing for wastewater improvement projects. The bonds are payable solely from net operating revenues and are payable through 2028. Annual principal and interest payments are expected to require less than 48 percent of revenues.

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

III. Other Information

A. Risk Management

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

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 \$55,000 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.

B. Subsequent Events

The Wastewater Utility has entered into a project for an equalization basin and interceptor sewers estimated to cost \$8,248,500 to be funded by a grant from the Office of Community and Rural Affairs for \$4,779,500 and a State Revolving Fund loan of \$3,469,000.

The Electric Utility has entered into a project to replace all City street lights to be funded by a grant from the Office of Energy Development for \$250,000.

C. Termination Benefits

During the current year, the Utilities are offering to pay 50% of healthcare premiums for any employee who retires with twenty years of service and is fifty-five years of age. Six employees are currently participating in the plan, and these benefits could not be determined.

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 3,522 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on December 9, 2009. The Utility has 3,542 customers.

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

3. Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 30, 2010. The Utility has 4,672 customers.

4. Storm Water Utility

The current rate structure was approved by the City Council on December 9, 2009. The Utility has 3,641 customers.

E. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

PERF members are required to contribute 3% of their annual covered salary. The Utilities are required to contribute at an actuarially determined rate; the current rate is 8% of annual covered payroll. The contribution requirements of plan members and the Utilities are established and may be amended by the PERF Board of Trustees.

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).

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

Annual Pension Cost

For 2009, the Utilities' annual pension cost for PERF was equal to the Utilities' required and actual contributions.

Actuarial Information for the Above Plan

		PERF
Annual required contribution	\$	194,755
Interest on net pension obligation		(17,816)
Adjustment to annual required contribution		20,303
Annual pension cost		197,242
Contributions made		186,255
Increase in net pension obligation		10,987
Net pension obligation, beginning of year		(245,736)
Net pension obligation, end of year	\$	(234,749)
Contribution rates:		
Utilities		8%
Plan members		3%
Actuarial valuation date		07-01-09
Actuarial cost method		Entry age normal cost
Amortization method		Level dollar, closed amortization period
Amortization period		30 years
Amortization period (from date)		07-01-07
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		4.00%
Cost-of-living adjustments		1.50%

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

	Three Year Trend Information			
	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-07	\$ 167,495	94%	\$ (272,278)
	06-30-08	194,190	86%	(245,736)
	06-30-09	197,242	94%	(234,749)

Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of July 1, 2009 the most recent actuarial valuation date is as follows:

Retirement Plan	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
PERF	\$ 2,501,307	\$ 3,583,143	\$ (1,081,836)	70%	\$ 2,663,221	(41%)

The schedule of funding progress, presented as RSI for the above plan following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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)
07-01-07	\$ 2,767,109	\$ 3,526,824	\$ (759,715)	78%	\$ 2,347,475	(32%)
07-01-08	2,494,502	3,295,124	(800,622)	76%	2,291,239	(35%)
07-01-09	2,501,307	3,583,143	(1,081,836)	70%	2,663,221	(41%)

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES  
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balances of the Wastewater Utility - Operating Fund and Wastewater Utility - Depreciation Fund were overdrawn \$124,027 and \$306,393, respectively, at December 31, 2009. For financial statement reporting purposes, these negative cash balances (\$430,420) were absorbed by the Wastewater Utility - Debt Service Reserve Fund.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYMENT OF COLLEGE TUITION

The Columbia City Municipal Utilities paid \$6,110 during 2009 and \$6,855 in 2010 (as of October 8) to Huntington University for college tuition fees. The fees are being paid for classes that could lead to a Bachelor of Science degree in business administration for the Outside Operations Manager. The fees will continue to be paid until the degree is complete in June, 2011. The City of Columbia City has a personnel policy manual that allows for training, but it does not appear to allow for classes leading to a Bachelor of Science degree.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (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 November 1, 2010, with Rosie M. Coyle, Clerk-Treasurer, and James R. Fleck, Mayor. The official response has been made a part of this report and may be found on page 24.



**CITY CLERK-TREASURER  
112 S. CHAUNCEY STREET  
COLUMBIA CITY, IN 46725  
260-248-5100**

November 1, 2010

State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

RE:           **OFFICIAL RESPONSE  
2009 Utility Annual Audit**

This letter is in regards to the Audit comments for 2009.

**PAYMENT OF COURSE TUITION:**

The Course was presented and approved under our regular process for training and education. It was felt and is still the opinion that the Excel program at our local Huntington University Campus is the most appropriate course of skill building for the selected participant. His job requires skills in supervision, accounting, personnel matters, economic analysis and dealing with people who are engineers, attorneys, government officials and the general public. The program was authorized because it was local, could be accessed easily in the evening and could be pursued during times when the employee did not usually need to be on the job. At the time the program was authorized, there were no other courses of study for the skill building that was appropriate. Since the time this was authorized, Ball State University started a program entitled Indiana Certified Managers. That program is a twenty-six (26) day intensive study.

Sincerely,

*James R. Fleck*

James R. Fleck  
Mayor