

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

EXAMINATION REPORT  
OF

WATER AND WASTEWATER UTILITY  
CITY OF COLUMBUS  
BARTHOLOMEW COUNTY, INDIANA

January 1, 2010 to December 31, 2010



**FILED**  
07/11/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda Sullivan	01-01-08 to 12-31-11
Mayor	Fred L. Armstrong	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Fred L. Armstrong	01-01-10 to 12-31-11
President of the Common Council	Ann G. DeVore Jesse Brand	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Utility Business Manager	Dale Langferman	01-01-10 to 12-31-11



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the Water and Wastewater Utility (Utilities), departments of the City of Columbus, as of and for the year ended December 31, 2010. 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 Water and Wastewater Utilities, 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. They do not purport to, and do not, present fairly the financial position of the City of Columbus as of December 31, 2010, 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 and Wastewater Utilities, as of December 31, 2010, 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 Water and Wastewater Utility has 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

June 6, 2011

CITY OF COLUMBUS  
WATER UTILITY AND WASTEWATER UTILITY  
STATEMENT OF NET ASSETS  
December 31, 2010

	2010	
Assets	Water	Wastewater
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,577,162	\$ 5,647,073
Accounts receivable (net of allowance)	453,639	765,360
Notes receivable	-	92,888
Inventories	271,844	37,673
Prepaid items	47,562	114,333
Total current assets	3,350,207	6,657,327
<b>Noncurrent assets:</b>		
<b>Restricted cash, cash equivalents and investments:</b>		
Depreciation cash and cash equivalents	1,040,216	6,133,099
Bond and interest cash and cash equivalents	604,700	3,944,795
Bond reserve cash and cash equivalents	-	217,043
Bond reserve investments	-	1,540,186
Customer deposits cash and cash equivalents	92,628	148,677
SRF #1 construction cash and cash equivalents	-	304,411
SRF #2 construction cash and cash equivalents	-	290,475
SRF WWTP cash and cash equivalents	-	12,539,052
Interest receivable	-	7,242
Total restricted assets	1,737,544	25,124,980
Deferred charges	36,407	434,188
<b>Capital assets:</b>		
Land, improvements to land and construction in progress	270,035	42,967,865
Other capital assets (net of accumulated depreciation)	37,358,526	71,615,381
Total capital assets	37,628,561	114,583,246
Total noncurrent assets	39,402,512	140,142,414
<b>Total assets</b>	<b>42,752,719</b>	<b>146,799,741</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	71,829	100,589
Accrued wages payable	48,218	67,985
Taxes payable	16,280	-
Compensated absences	19,909	46,554
Trash due city	-	406,846
<b>Current liabilities payable from restricted assets:</b>		
Customer deposits	92,628	148,534
Revenue bonds payable	655,000	950,000
Loans payable	-	2,548,000
Accrued interest payable	31,575	932,708
Total current liabilities	935,439	5,201,216
<b>Noncurrent liabilities:</b>		
Revenue bonds payable (net of unamortized premiums and deferred amount on refunding)	1,368,389	700,936
Loans payable	-	81,476,717
Total noncurrent liabilities	1,368,389	82,177,653
<b>Total liabilities</b>	<b>2,303,828</b>	<b>87,378,869</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	37,379,123	42,041,531
Restricted for debt service	604,700	5,709,266
Restricted for depreciation	1,040,216	6,133,099
Restricted for SRF construction	-	13,133,938
Unrestricted	1,424,852	(7,596,962)
<b>Total net assets</b>	<b>\$ 40,448,891</b>	<b>\$ 59,420,872</b>

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

CITY OF COLUMBUS  
WATER UTILITY AND WASTEWATER UTILITY  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2010

	2010	
	Water	Wastewater
Operating revenues:		
Flat rate revenues	\$ 56,396	\$ 120,673
Metered revenue:		
Residential	2,249,987	6,604,825
Commercial	882,215	2,422,212
Industrial	634,083	1,865,561
Fire protection revenue	633,604	-
Penalties	25,289	175,025
Farming	-	103,850
Other	105,660	126,667
	4,587,234	11,418,813
Operating expenses:		
Source of supply and expense/collection system expense -		
Operations and maintenance		
Salaries and wages	113,810	75,311
Employee pensions and benefits	8,645	5,790
Materials and supplies	9,263	25,996
Transportation expense	-	24,569
Treatment and disposal expense-operations and maintenance		
Salaries and wages	345,189	756,705
Employee pensions and benefits	26,441	57,171
Purchase power	472,051	363,624
Chemicals	144,635	44,333
Materials and supplies	234,416	91,106
Contractual services	-	21,405
Transportation expense	12,572	12,820
Other	28,063	368,386
Transmission and distribution/pumping expense -		
Operations and maintenance		
Salaries and wages	431,878	351,596
Employee pensions and benefits	33,085	26,032
Chemicals	7,566	14,690
Materials and supplies	146,295	59,767
Transportation expense	47,472	3,012
Purchase power	30,636	97,680
Other	6,733	-
Customer accounts expense		
Salaries and wages	46,329	106,216
Employee pensions and benefits	3,662	7,658
Materials and supplies	38,575	38,756
Bad debt expense	1,513	-
Administrative and general expense		
Salaries and wages	241,086	281,181
Employee pensions and benefits	420,153	490,744
Materials and supplies	80,639	102,350
Contractual services	107,120	86,587
Purchase power	15,834	61,643
Transportation expense	865	59
Depreciation and amortization	927,887	1,689,479
Other	261,459	191,490
	4,243,872	5,456,156
Operating income	343,362	5,962,657
Nonoperating revenues (expenses):		
Interest and investment revenue	63,431	566,504
Rent	85,200	90,000
Gain/(loss) on disposal of capital assets	(88,666)	(51,044)
Interest expense	(104,222)	(2,514,020)
Amortization of bond issue costs	(16,803)	(50,145)
	(61,060)	(1,958,705)
Income before contributions	282,302	4,003,952
Capital contributions	807,419	41,135
Change in net assets	1,089,721	4,045,087
Total net assets - beginning	39,359,170	55,375,785
Total net assets - ending	\$40,448,891	\$59,420,872

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

CITY OF COLUMBUS  
WATER UTILITY AND WASTEWATER UTILITY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2010

	2010	
	Water	Wastewater
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,482,349	\$ 11,573,327
Payments to suppliers and contractors	(1,780,397)	(1,731,902)
Payments to employees	(1,672,085)	(2,015,246)
Receipts for city trash fees	-	406,846
	<u>1,029,867</u>	<u>8,233,025</u>
Cash flows from Non-Capital Financing Activities		
Other Income	85,200	90,000
	<u>85,200</u>	<u>90,000</u>
Cash Provided by Non-Capital Financing Activities	<u>85,200</u>	<u>90,000</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,742,917)	(27,233,580)
Proceeds from asset disposal	40,880	11,813
Principal paid on capital debt	(625,000)	(1,563,000)
Interest paid on capital debt	(96,700)	(2,486,182)
	<u>(2,423,737)</u>	<u>(31,270,949)</u>
Net cash used by capital and related financing activities	<u>(2,423,737)</u>	<u>(31,270,949)</u>
Cash flows from investing activities:		
Net proceeds from sales and maturities of investments	61,183	19,824,274
Interest received	63,735	765,638
	<u>124,918</u>	<u>20,589,912</u>
Net cash provided by investing activities	<u>124,918</u>	<u>20,589,912</u>
Net decrease in cash and cash equivalents	(1,183,752)	(2,358,012)
Cash and cash equivalents, January 1	<u>5,498,458</u>	<u>31,582,637</u>
Cash and cash equivalents, December 31	<u>\$ 4,314,706</u>	<u>\$ 29,224,625</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 343,362</u>	<u>\$ 5,962,657</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	927,887	1,689,479
(Increase) decrease in assets:		
Accounts receivable	(105,799)	144,361
Notes receivable	914	10,153
Inventories	(118,574)	10,300
Prepaid items	12,290	(45,148)
Misc. nonoperating income		
Increase (decrease) in liabilities:		
Accounts payable	(34,423)	13,868
Wages payable	4,288	15,759
Taxes Payable	716	-
Due to City	-	406,846
Compensated absence payable	(6,095)	13,525
Customer deposits	5,301	11,225
	<u>686,505</u>	<u>2,270,368</u>
Total adjustments	<u>686,505</u>	<u>2,270,368</u>
Net cash provided by operating activities	<u>\$ 1,029,867</u>	<u>\$ 8,233,025</u>
Noncash investing, capital and financing activities:		
Contributions of capital assets from developers	<u>\$ 807,419</u>	<u>\$ 41,135</u>

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

WATER AND WASTEWATER UTILITY  
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 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, 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' 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.

WATER AND WASTEWATER UTILITY  
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 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
Buildings and improvements	\$ 500	Straight-line	67 to 80 years
Improvements other than buildings	500	Straight-line	20 to 80 years
Machinery and equipment	500	Straight-line	5 to 20 years
Transportation	500	Straight-line	5 to 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 \$2,618,242. Of the amount, none was included as part of the cost of capital assets under construction.

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

5. Compensated Absences

- a. Sick Leave – Employees of the Utilities earn sick leave at the rate of six 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 earn vacation leave at rates from five days to twenty-five days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of ten days. Accumulated vacation leave is paid to employees through cash payments.
- c. Personal Leave – Employees of the Utilities earn personal leave at the rate of two 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

<u>2010</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Water</b>				
Capital assets, not being depreciated:				
Land	\$ 237,523	\$ -	\$ -	\$ 237,523
Construction in progress	860,046	2,225,270	3,052,804	32,512
Total capital assets, not being depreciated	<u>1,097,569</u>	<u>2,225,270</u>	<u>3,052,804</u>	<u>270,035</u>

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

<u>2010</u>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Water</b>				
Capital assets, being depreciated:				
Buildings	43,761,330	3,092,665	194,152	46,659,843
Machinery and equipment	3,180,683	248,581	84,334	3,344,930
Transportation equipment	368,169	-	35,837	332,332
Office equipment, furniture, and fixtures	760,624	36,623	12,740	784,507
Fully depreciated	<u>568,723</u>	<u>132,911</u>	<u>-</u>	<u>701,634</u>
 Totals	 <u>48,639,529</u>	 <u>3,510,780</u>	 <u>327,063</u>	 <u>51,823,246</u>
Less accumulated depreciation for:				
Buildings	(11,481,856)	(694,128)	(64,623)	(12,111,361)
Machinery and equipment	(998,773)	(159,048)	(84,343)	(1,073,478)
Transportation equipment	(207,560)	(36,817)	(35,837)	(208,540)
Office equipment, furniture, and fixtures	(344,527)	(37,920)	(12,740)	(369,707)
Fully depreciated	<u>(568,723)</u>	<u>(132,911)</u>	<u>-</u>	<u>(701,634)</u>
 Totals	 <u>(13,601,439)</u>	 <u>(1,060,824)</u>	 <u>(197,543)</u>	 <u>(14,464,720)</u>
 Total capital assets, being depreciated, net	 <u>35,038,090</u>	 <u>2,449,956</u>	 <u>129,520</u>	 <u>37,358,526</u>
 Total water capital assets, net	 <u>\$ 36,135,659</u>	 <u>\$ 4,675,226</u>	 <u>\$ 3,182,324</u>	 <u>\$ 37,628,561</u>
<u>2010</u>	Beginning Balance	Increases	Decreases	Ending Balance
<b>Wastewater</b>				
Capital assets, not being depreciated:				
Land	\$ 1,707,894	\$ -	\$ -	\$ 1,707,894
Construction in progress	20,834,319	27,049,624	6,623,972	41,259,971
 Total capital assets, not being depreciated	 <u>22,542,213</u>	 <u>27,049,624</u>	 <u>6,623,972</u>	 <u>42,967,865</u>
Capital assets, being depreciated:				
Buildings	68,659,676	6,418,324	98,530	74,979,470
Machinery and equipment	14,399,521	383,935	415,938	14,367,518
Transportation equipment	544,915	960	18,148	527,727
Office equipment, furniture, and fixtures	227,964	45,844	1,639	272,169
Fully depreciated	<u>890,527</u>	<u>426,174</u>	<u>13,175</u>	<u>1,303,526</u>
 Totals	 <u>84,722,603</u>	 <u>7,275,237</u>	 <u>547,430</u>	 <u>91,450,410</u>
Less accumulated depreciation for:				
Buildings	(12,893,737)	(910,498)	(10,318)	(13,793,917)
Machinery and equipment	(4,116,556)	(713,643)	(415,489)	(4,414,710)
Transportation equipment	(206,101)	(54,395)	(18,037)	(242,459)
Office equipment, furniture, and fixtures	(71,112)	(10,944)	(1,639)	(80,417)
Fully depreciated	<u>(890,527)</u>	<u>(426,174)</u>	<u>(13,175)</u>	<u>(1,303,526)</u>
 Totals	 <u>(18,178,033)</u>	 <u>(2,115,654)</u>	 <u>(458,658)</u>	 <u>(19,835,029)</u>
 Total capital assets, being depreciated, net	 <u>66,544,570</u>	 <u>5,159,583</u>	 <u>88,772</u>	 <u>71,615,381</u>
 Total wastewater capital assets, net	 <u>\$ 89,086,783</u>	 <u>\$ 32,209,207</u>	 <u>\$ 6,712,744</u>	 <u>\$ 114,583,246</u>

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

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

	2010
Water	\$ 927,887
Wastewater	1,689,479
Total depreciation expense	\$ 2,617,366

C. Construction Commitments

Construction work in progress is composed of the following:

	2010	
<u>Project</u>	<u>Expended to December 31,</u>	<u>Committed</u>
<b>Water</b>		
New Wellfield	\$ 28,708	\$ 28,708
Eastside Water Main	1,040	1,040
Widening US 31	2,058	2,058
17th Street Widening	706	706
Totals	\$ 32,512	\$ 32,512
<b>Wastewater</b>		
New Wastewater Plant	\$ 41,219,125	\$ 50,659,000
Force Main Relocate US 31	525	525
17th Street Widening	706	706
Bakalar LS	18,100	20,000
Soutside Irrigation	21,515	21,515
Totals	\$ 41,259,971	\$ 50,701,746

D. Interfund Balances and Activity

Interfund Payable

Interfund Payable at December 31, 2010, were as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>2010</u>
	Due to City	\$ 406,846

The Wastewater Utility collected trash service fees for the city and transferred the collections on a monthly basis.

WATER AND WASTEWATER UTILITY  
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	Balance at December 31	Less: Unamortized (Premium) Discount	Less: Deferral on Refunding	Amount
2005 Waterworks Refunding Revenue Bond	2.80% to 4.25%	\$ 2,060,000	\$ (26,127)	\$ 62,738	\$ 2,023,389
<b>Total Water</b>		<u>\$ 2,060,000</u>	<u>\$ (26,127)</u>	<u>\$ 62,738</u>	<u>\$ 2,023,389</u>
2005 Sewage Works Refunding Revenue Bond	4.00%	950,000	(2,830)	8,107	944,723
Eastern Bartholomew Revenue Bond	4.81%	715,000	-	8,787	706,213
<b>Total Wastewater</b>		<u>\$ 1,665,000</u>	<u>\$ (2,830)</u>	<u>\$ 16,894</u>	<u>\$ 1,650,936</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2011	\$ 655,000	\$ 71,100	\$ 950,000	\$ 53,533
2012	685,000	44,300	35,000	33,550
2013	720,000	15,300	40,000	31,746
2014	-	-	40,000	29,822
2015	-	-	45,000	27,778
2016-2020	-	-	245,000	93,219
2021-2025	-	-	310,000	38,961
<b>Totals</b>	<u>\$ 2,060,000</u>	<u>\$ 130,700</u>	<u>\$ 1,665,000</u>	<u>\$ 308,609</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 twenty-one years. Annual debt service requirements to maturity for these loans are as follows:

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

	Principal	Interest
2011	\$ 2,548,000	\$ 2,369,330
2012	3,566,000	2,284,626
2013	3,666,000	2,180,119
2014	3,774,000	2,072,450
2015	3,883,000	1,961,445
2016-2020	21,181,000	8,018,208
2021-2025	24,465,717	4,681,971
2026-2030	20,941,000	1,177,903
 Totals	 \$ 84,024,717	 \$ 24,746,051

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

2010	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 2,685,000	\$ -	\$ 625,000	\$ 2,060,000	\$ 655,000
Less unamortized premium	\$ 38,186		\$ 12,059	\$ 26,127	
Less deferred amount on refunding	(91,694)	-	(28,956)	(62,738)	-
Total revenue bonds payable	2,631,492	-	608,103	2,023,389	655,000
Total Long-term liabilities	\$ 2,631,492	\$ -	\$ 608,103	\$ 2,023,389	\$ 655,000
Revenue bonds payable:					
Wastewater Utility	2,580,000	-	915,000	1,665,000	950,000
Less unamortized premium	19,813		16,982	2,831	
Less deferred amount on refunding	(66,167)	-	(49,272)	(16,895)	-
Total revenue bonds payable	2,533,646	-	882,710	1,650,936	950,000
Loans Payable	84,707,717	-	683,000	84,024,717	2,548,000
Total Long-term liabilities	\$ 87,241,363	\$ -	\$ 1,565,710	\$ 87,326,589	\$ 3,498,000

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F. Restricted Assets

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

	2010
<b>Water Utility</b>	
Depreciation	\$ 1,040,216
Bond and interest	604,700
Customer deposits	92,628
 Total restricted assets	 \$ 1,737,544
 <b>Wastewater Utility</b>	
Depreciation	\$ 6,133,099
Bond and interest	3,944,795
Bond reserve	1,757,229
Customer deposits	148,677
SRF #1	304,411
SRF #2	290,475
SRF WWTP	12,539,052
Interest receivable	7,242
 Total restricted assets	 \$ 25,124,980

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; 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, 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

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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 interfund transactions.

Medical Benefits to Employees, Retirees, and Dependents

The City, including the Utilities, 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 \$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, 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 Plans

1. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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. That report may be obtained by contacting:

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

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

The City also contributes to an additional Utility pension plan unique to the City. Information regarding this plan may be obtained from the City.

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EXIT CONFERENCE

The contents of this report were discussed on June 6, 2011, with Dale Langferman, Utility Business Manager; Jesse Brand, President of the Common Council; Fred L. Armstrong, Mayor; and Brenda Sullivan, Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.