

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, 2011 to December 31, 2011



FILED
04/30/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Statement of Net Assets.....	4
Statement of Revenues, Expenses, and Other Changes in Fund Net Assets.....	5
Statement of Cash Flows	6
Notes to Financial Statements	7-18
Examination Result and Comment:	
Overdrawn Cash Balance.....	19
Exit Conference.....	20

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosie M. Coyle	01-01-08 to 12-31-15
Mayor	James R. Fleck Ryan L. Daniel	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Board of Public Works and Safety	James R. Fleck Ryan L. Daniel	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Common Council	Roger Seymoure Daniel L. Weigold	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Water Utility	Michael D. Dear	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Michel C. Cook	01-01-11 to 12-31-12
Superintendent of Electric Utility	Larry G. Whetstone	01-01-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 Electric Utility, Water Utility, Wastewater Utility, and Storm Water Utility, major enterprise funds and departments of the City of Columbia City (Utilities), as of and for the year ended December 31, 2011. 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 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, 2011, 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 Utilities, as of December 31, 2011, 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 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

April 9, 2012

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES
STATEMENT OF NET ASSETS
December 31, 2011

<u>Assets</u>	Electric Utility	Water Utility	Wastewater Utility	Storm Water Utility
Current assets:				
Cash and cash equivalents	\$ 1,554,238	\$ -	\$ 246,803	\$ 798,104
Accounts receivable	926,151	129,248	315,514	82,644
Inventories	554,001	96,462	-	-
Prepaid items	48,572	13,940	22,263	-
Total current assets	3,082,962	239,650	584,580	880,748
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation	203,552	33,027	26,260	-
Bond and interest	-	58,444	99,888	-
Debt service reserve	-	271,703	1,505,036	-
Customer deposits	232,777	41,240	-	-
Cash reserve	388,363	8,688	108,856	-
Total restricted assets	824,692	413,102	1,740,040	-
Deferred charges:				
Deferred loss on advance refunding	-	32,883	-	-
Unamortized bond issuance costs	-	103,436	223,613	-
Total deferred debits	-	136,319	223,613	-
Capital assets:				
Capital assets	13,304,338	8,780,165	35,463,121	309,929
Accumulated depreciation	(9,064,455)	(2,441,127)	(8,211,746)	-
Construction in progress	-	14,378	8,592,483	-
Land held for resale	1,981	-	-	-
Total capital assets	4,241,864	6,353,416	35,843,858	309,929
Total noncurrent assets	5,066,556	6,902,837	37,807,511	309,929
Total assets	8,149,518	7,142,487	38,392,091	1,190,677
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	585,805	9,204	31,757	-
Taxes payable	40,009	4,162	-	-
Compensated absences	69,554	31,930	31,156	9,354
Current liabilities payable from restricted assets:				
Customer deposits	232,777	41,240	-	-
Revenue bonds payable	-	156,000	-	-
Loans payable	-	-	1,113,000	-
Accrued interest payable	-	28,884	-	-
Total current liabilities	928,145	271,420	1,175,913	9,354
Noncurrent liabilities:				
Revenue bonds payable	-	2,363,000	-	-
Loans payable	-	-	20,798,665	-
Total noncurrent liabilities	-	2,363,000	20,798,665	-
Total liabilities	928,145	2,634,420	21,974,578	9,354
<u>Net Assets</u>				
Invested in capital assets, net of related debt	4,241,864	3,834,416	13,932,193	309,929
Restricted	824,692	413,102	1,740,040	-
Unrestricted	2,154,817	260,549	745,280	871,394
Total net assets	\$ 7,221,373	\$ 4,508,067	\$ 16,417,513	\$ 1,181,323

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

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS
As Of And For The Year Ended December 31, 2011

	Electric Utility	Water Utility	Wastewater Utility	Storm Water Utility
Operating revenues:				
Residential sales	\$ 3,865,357	\$ 556,001	\$ -	\$ -
Commercial sales	2,219,638	290,911	-	-
Industrial sales	3,724,858	134,831	-	-
Municipal sales	123,095	-	-	-
Other sales	-	52,266	-	-
Security lights	40,629	-	-	-
Street lights	42,765	-	-	-
Franchises	43,090	-	-	-
Public fire protection	-	276,329	-	-
Private fire protection	-	72,271	-	-
Residential, commercial & industrial sales	-	-	3,564,708	728,272
Penalties	37,280	6,314	45,238	10,166
Pretreatment charges	-	-	19,515	-
Permits	-	-	-	50
Other	62,065	113,702	-	30
	<u>10,158,777</u>	<u>1,502,625</u>	<u>3,629,461</u>	<u>738,518</u>
Total operating revenues				
Operating expenses:				
Sources of supply	-	15,738	-	-
Water treatment	-	173,431	-	-
Purchased power	7,112,372	-	-	-
Distribution	814,991	-	-	-
Transmission and distribution	-	365,245	-	-
Sewer maintenance	-	-	74,575	-
Plant maintenance	-	-	650,395	-
Lift station expense	-	-	405,076	-
Collection expense	-	-	36,432	-
Storm water maintenance	-	-	-	63,877
Customer accounts	81,796	88,007	-	-
Administration and general	1,341,509	544,480	574,208	302,830
Depreciation	484,800	154,800	1,113,973	-
	<u>9,835,468</u>	<u>1,341,701</u>	<u>2,854,659</u>	<u>366,707</u>
Total operating expenses				
Operating income	<u>323,309</u>	<u>160,924</u>	<u>774,802</u>	<u>371,811</u>
Nonoperating revenues (expenses):				
Interest income	4,150	467	255	717
Rental income	40,141	-	-	-
Tap fees	-	-	31,693	-
Other nonoperating revenue	2,418	3,068	3,757	-
Interest expense	-	(119,064)	(573,022)	-
Amortization expense	-	(11,255)	(14,524)	-
Payment in lieu of taxes	(96,000)	(38,000)	(216,000)	-
	<u>(49,291)</u>	<u>(164,784)</u>	<u>(767,841)</u>	<u>717</u>
Total nonoperating revenues (expenses)				
Income (loss) before contributions	274,018	(3,860)	6,961	372,528
Contributions from Storm Water	-	-	294,418	-
Contributions from OCRA	-	-	3,140,529	-
Contributions to Wastewater Utility	-	-	-	(294,418)
	<u>274,018</u>	<u>(3,860)</u>	<u>3,441,908</u>	<u>78,110</u>
Change in net assets				
Total net assets - beginning	<u>6,947,355</u>	<u>4,511,927</u>	<u>12,975,605</u>	<u>1,103,213</u>
Total net assets - ending	<u>\$ 7,221,373</u>	<u>\$ 4,508,067</u>	<u>\$ 16,417,513</u>	<u>\$ 1,181,323</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, 2011

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Cash flows from operating activities:				
Cash received from customers	\$ 10,106,802	\$ 1,509,220	\$ 3,647,408	\$ 734,513
Cash paid to suppliers, employees and others	<u>(9,335,310)</u>	<u>(1,187,265)</u>	<u>(1,704,136)</u>	<u>(369,613)</u>
Net cash provided by operating activities	<u>771,492</u>	<u>321,955</u>	<u>1,943,272</u>	<u>364,900</u>
Cash flows from noncapital financing activities:				
Payment in lieu of taxes	<u>(96,000)</u>	<u>(38,000)</u>	<u>(216,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Loan proceeds	-	-	2,532,297	-
Capital contributions	-	-	3,434,947	(294,418)
Acquisition and construction of capital assets	(14,287)	(73,891)	(5,938,332)	(67,200)
Principal paid on capital debt	-	(150,000)	(1,583,000)	-
Interest paid on capital debt	-	(120,794)	(959,076)	-
Other non-operating revenue/expense	<u>42,559</u>	<u>3,068</u>	<u>35,450</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>28,272</u>	<u>(341,617)</u>	<u>(2,477,714)</u>	<u>(361,618)</u>
Cash flows from investing activities:				
Interest on investments	<u>4,150</u>	<u>467</u>	<u>255</u>	<u>717</u>
Net increase (decrease) in cash and cash equivalents	707,914	(57,195)	(750,187)	3,999
Cash and cash equivalents, January 1	<u>1,671,016</u>	<u>470,297</u>	<u>2,737,030</u>	<u>794,105</u>
Cash and cash equivalents, December 31	<u>\$ 2,378,930</u>	<u>\$ 413,102</u>	<u>\$ 1,986,843</u>	<u>\$ 798,104</u>
Unrestricted cash and cash equivalents	\$ 1,554,238	\$ -	\$ 246,803	\$ 798,104
Restricted cash and cash equivalents	<u>824,692</u>	<u>413,102</u>	<u>1,740,040</u>	<u>-</u>
Cash and cash equivalents, December 31	<u>\$ 2,378,930</u>	<u>\$ 413,102</u>	<u>\$ 1,986,843</u>	<u>\$ 798,104</u>
Reconciliation of operating income to net cash provided by operating activities:				
Net operating revenues	<u>\$ 323,309</u>	<u>\$ 160,924</u>	<u>\$ 774,802</u>	<u>\$ 371,811</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	484,800	154,800	1,113,973	-
(Increase) decrease in assets:				
Accounts receivable	(24,637)	(5,367)	8,530	(4,005)
Inventories	(9,625)	(1,666)	-	-
Prepaid expenses	(17,713)	13,629	9,417	-
Increase (decrease) in liabilities:				
Accounts payable	20,926	2,403	26,807	(3,805)
Taxes payable	(25,345)	(8,154)	-	-
Compensated absence payable	13,388	2,906	9,743	899
Customer deposits	<u>6,389</u>	<u>2,480</u>	<u>-</u>	<u>-</u>
Total adjustments	<u>448,183</u>	<u>161,031</u>	<u>1,168,470</u>	<u>(6,911)</u>
Net cash provided by operating activities	<u>\$ 771,492</u>	<u>\$ 321,955</u>	<u>\$ 1,943,272</u>	<u>\$ 364,900</u>

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 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 Other 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 Utilities have elected not to follow subsequent private-sector guidance.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

When both restricted and unrestricted resources are available for use, the Utilities' policy is to use restricted resources first, then unrestricted resources as they are needed.

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.

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES
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.

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.

The financial statements report Electric Utility restricted net assets of \$824,692, of which \$232,777 is restricted by enabling legislation; Water Utility restricted net assets of \$413,102, of which \$404,414 is restricted by enabling legislation; and Wastewater Utility restricted net assets of \$1,740,040, of which \$1,631,184 is restricted by enabling legislation.

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	Composite rate	2.5% - 7.5%

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES
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 \$766,539 (Water Utility \$119,064 and Wastewater Utility \$647,475). Of the amount, \$74,453 was included as part of the cost of the Wastewater Utility capital assets under construction in connection with the equalization basin and Chauncey Street interceptor sewer project.

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of one 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 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 two 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 four 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.

E. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

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

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

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, 2011, the Utilities had deposit balances in the amount of \$5,576,979 (Electric Utility \$2,378,930, Water Utility \$413,102, Wastewater Utility \$1,986,843, and Storm Water Utility \$798,104)

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 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 percent of the funds held by the Utility 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.

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

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.

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, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 223,573	\$ -	\$ -	\$ 223,573
Land held for resale	1,981	-	-	1,981
Total capital assets, not being depreciated	<u>225,554</u>	<u>-</u>	<u>-</u>	<u>225,554</u>
Capital assets, being depreciated:				
Buildings	1,566,314	-	-	1,566,314
Improvements other than buildings	9,622,579	8,730	6,609	9,624,700
Machinery and equipment	1,960,891	5,556	76,696	1,889,751
Totals	<u>13,149,784</u>	<u>14,286</u>	<u>83,305</u>	<u>13,080,765</u>
Less accumulated depreciation for:				
Buildings	1,091,326	54,821	-	1,146,147
Improvements other than buildings	6,284,474	328,838	6,609	6,606,703
Machinery and equipment	1,287,160	101,141	76,696	1,311,605
Totals	<u>8,662,960</u>	<u>484,800</u>	<u>83,305</u>	<u>9,064,455</u>
Total capital assets, being depreciated, net	<u>4,486,824</u>	<u>(470,514)</u>	<u>-</u>	<u>4,016,310</u>
Total capital assets, net	<u>\$ 4,712,378</u>	<u>\$ (470,514)</u>	<u>\$ -</u>	<u>\$ 4,241,864</u>

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 7,654	\$ -	\$ -	\$ 7,654
Construction in progress	<u>14,011</u>	<u>6,210</u>	<u>5,843</u>	<u>14,378</u>
Total capital assets, not being depreciated	<u>21,665</u>	<u>6,210</u>	<u>5,843</u>	<u>22,032</u>
Capital assets, being depreciated:				
Buildings	1,591,141	-	-	1,591,141
Improvements other than buildings	6,536,161	9,513	-	6,545,674
Machinery and equipment	<u>575,061</u>	<u>64,012</u>	<u>3,377</u>	<u>635,696</u>
Totals	<u>8,702,363</u>	<u>73,525</u>	<u>3,377</u>	<u>8,772,511</u>
Less accumulated depreciation for:				
Buildings	514,603	24,003	-	538,606
Improvements other than buildings	1,575,039	91,905	-	1,666,944
Machinery and equipment	<u>200,062</u>	<u>38,892</u>	<u>3,377</u>	<u>235,577</u>
Totals	<u>2,289,704</u>	<u>154,800</u>	<u>3,377</u>	<u>2,441,127</u>
Total capital assets, being depreciated, net	<u>6,412,659</u>	<u>(81,275)</u>	<u>-</u>	<u>6,331,384</u>
Total capital assets, net	<u>\$ 6,434,324</u>	<u>\$ (75,065)</u>	<u>\$ 5,843</u>	<u>\$ 6,353,416</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 23,396	\$ -	\$ -	\$ 23,396
Construction in progress	<u>10,124,397</u>	<u>5,747,279</u>	<u>7,279,193</u>	<u>8,592,483</u>
Total capital assets, not being depreciated	<u>10,147,793</u>	<u>5,747,279</u>	<u>7,279,193</u>	<u>8,615,879</u>
Capital assets, being depreciated:				
Buildings	7,648,951	-	-	7,648,951
Improvements other than buildings	12,084,027	7,313,741	4,443	19,393,325
Machinery and equipment	<u>8,181,627</u>	<u>230,959</u>	<u>15,137</u>	<u>8,397,449</u>
Totals	<u>27,914,605</u>	<u>7,544,700</u>	<u>19,580</u>	<u>35,439,725</u>
Less accumulated depreciation for:				
Buildings	1,036,719	191,224	-	1,227,943
Improvements other than buildings	4,658,832	301,743	4,443	4,956,132
Machinery and equipment	<u>1,421,802</u>	<u>621,006</u>	<u>15,137</u>	<u>2,027,671</u>
Totals	<u>7,117,353</u>	<u>1,113,973</u>	<u>19,580</u>	<u>8,211,746</u>
Total capital assets, being depreciated, net	<u>20,797,252</u>	<u>6,430,727</u>	<u>-</u>	<u>27,227,979</u>
Total capital assets, net	<u>\$ 30,945,045</u>	<u>\$ 12,178,006</u>	<u>\$ 7,279,193</u>	<u>\$ 35,843,858</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Storm Water Utility:				
Capital assets, being depreciated:				
Improvements other than buildings	\$ 240,763	\$ -	\$ -	\$ 240,763
Machinery and equipment	1,966	67,200	-	69,166
Total capital assets, net	<u>\$ 242,729</u>	<u>\$ 67,200</u>	<u>\$ -</u>	<u>\$ 309,929</u>

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

	2011
Electric	\$ 484,800
Water	154,800
Wastewater	<u>1,113,973</u>
Total depreciation expense	<u>\$ 1,753,573</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2011	Committed
Water Utility:			
Main improvements	<u>\$ 14,378</u>	<u>\$ 14,378</u>	<u>\$ -</u>
Wastewater Utility:			
Chauncey Street interceptor sewer	\$ 9,009,466	\$ 8,483,629	\$ 525,837
Lift station modification	56,020	56,020	-
Miscellaneous plant improvements	<u>548,600</u>	<u>52,834</u>	<u>495,766</u>
Total Wastewater Utility	<u>\$ 9,614,086</u>	<u>\$ 8,592,483</u>	<u>\$ 1,021,603</u>

D. Interfund Balances and Activity

Interfund Transfers

Interfund transfers at December 31, 2011, were as follows:

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

Transfer From	Transfer To	2011
Electric Utility:		
Electric Cash Reserve Fund	General Fund	\$ 96,000
Electric Cash Reserve Fund	Group Insurance Fund	317,000
Electric Operating Fund	Information Services Fund	10,000
Electric Operating Fund	Electric Depreciation Fund	60,000
Electric Operating Fund	Electric Cash Reserve Fund	<u>180,000</u>
Total Electric Utility		<u>663,000</u>
Water Utility:		
Water Cash Reserve Fund	General Fund	38,000
Water Cash Reserve Fund	Group Insurance Fund	152,000
Water Operating Fund	Information Services Fund	5,000
Water Operating Fund	Water Bond and Interest Fund	270,564
Water Operating Fund	Water Depreciation Fund	105,141
Water Operating Fund	Water Cash Reserve Fund	<u>22,000</u>
Total Water Utility		<u>592,705</u>
Wastewater Utility:		
Wastewater Operating Fund	Wastewater Depreciation Fund	120,000
Wastewater Operating Fund	Wastewater Cash Reserve Fund	270,000
Wastewater Operating Fund	Wastewater Bond and Interest Fund	1,733,268
Wastewater Operating Fund	Wastewater Debt Reserve Fund	79,288
Wastewater Debt Reserve Fund	Wastewater Bond and Interest Fund	138,255
Wastewater Cash Reserve Fund	General Fund	216,000
Wastewater Cash Reserve Fund	Group Insurance Fund	163,000
Wastewater Operating Fund	Information Services Fund	5,000
Wastewater Operating Fund	Wayne Waste Financial Assurance Fund	<u>55,000</u>
Total Wastewater Utility		<u>2,779,811</u>
Storm Water Utility:		
Storm Water Operating Fund	Group Insurance Fund	<u>38,000</u>
Total Transfers		<u><u>\$ 4,073,516</u></u>

The Utilities typically use transfers to fund ongoing operating subsidies.

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES
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
Water Utility:		
2004 Waterworks refunding	4.7%	\$ 1,113,000
2006 Waterworks north pressure booster station	4.5%	<u>1,406,000</u>
Total		<u>\$ 2,519,000</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility	
	Principal	Interest
2012	\$ 156,000	\$ 113,804
2013	164,000	106,515
2014	172,000	98,856
2015	180,000	90,826
2016	189,000	82,428
2017-2021	1,083,000	272,534
2022-2026	<u>575,000</u>	<u>73,485</u>
Totals	<u>\$ 2,519,000</u>	<u>\$ 838,448</u>

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, the Blue River Interceptor Sewer project, and the equalization basin and Chauncey Street 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, \$6,928,000 for the Blue River Interceptor Sewer project, and \$3,469,000 for the equalization basin and Chauncey Street Interceptor Sewer project. As of December 31, 2011, the loan principal balance was \$13,424,000 for the Wastewater WPCF upgrade, \$5,159,665 for the Blue River Interceptor Sewer project, and \$3,328,000 for the equalization basin and Chauncey Street Interceptor Sewer project. Annual debt service requirements for the State Revolving Loan Fund loans for the Blue River Interceptor Sewer project and the equalization basin and Chauncey Street Interceptor Sewer project will not be determined until the construction project is completed.

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, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ 2,669,000	\$ -	\$ 150,000	\$ 2,519,000	\$ 156,000
Wastewater Utility:					
SRF loan payable #1	\$ 14,452,000	\$ -	\$ 1,028,000	\$ 13,424,000	\$ 713,000
SRF loan payable #2	4,831,499	742,166	414,000	5,159,665	286,000
SRF loan payable #3	1,678,869	1,790,131	141,000	3,328,000	114,000
Total loans payable	<u>\$ 20,962,368</u>	<u>\$ 2,532,297</u>	<u>\$ 1,583,000</u>	<u>\$ 21,911,665</u>	<u>\$ 1,113,000</u>

F. Restricted Assets

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

	Electric Utility	Water Utility	Wastewater Utility
Depreciation	\$ 203,552	\$ 33,027	\$ 26,260
Bond and interest	-	58,444	99,888
Debt service reserve	-	271,703	1,505,036
Customer deposits	232,777	41,240	-
Cash reserve	388,363	8,688	108,856
Total restricted assets	<u>\$ 824,692</u>	<u>\$ 413,102</u>	<u>\$ 1,740,040</u>

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 15 percent of net revenues.

Wastewater Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specified operating expenditures, to repay revenue bonds issued in 2005, 2006, and 2010. 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 47 percent of net 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. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Health 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. Termination Benefits

During the current year, the Utilities offered/are offering to pay 50 percent of healthcare premiums the Utilities offer to its employees for any employee who retires with twenty years of service and is 55 years of age. Four employees are currently participating in the plan, and these benefits could not be determined.

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on August 22, 2007. The Utility has 3,755 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on December 9, 2009. The Utility has 3,786 customers.

3. Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 30, 2010. The Utility has 4,683 customers.

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

4. Storm Water Utility

The current rate structure was approved by the City Council on December 9, 2009. The Utility has 3,610 customers.

D. 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 this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) 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.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

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 not presented as an asset/liability of the proprietary funds.

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES
EXAMINATION RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The Water Operating Fund cash balance was overdrawn \$62,263 at December 31, 2011.

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)

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES UTILITY
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2012, with Rosie M. Coyle, Clerk-Treasurer; Ryan L. Daniel, Mayor; and Daniel L. Weigold, President of the Common Council.