

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CITY OF AUBURN MUNICIPAL UTILITIES

DEKALB COUNTY, INDIANA

January 1, 2014 to December 31, 2014



**FILED**  
03/15/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia M. Miller	01-01-12 to 12-31-19
Mayor	Norman E. Yoder	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Norman E. Yoder	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Dr. David Painter Kevin M. Webb	01-01-14 to 12-31-15 01-01-16 to 12-31-16
Superintendent of Water Utility	Randy Harvey	01-01-14 to 12-31-16
Superintendent of Wastewater Utility	David Lochner	01-01-14 to 12-31-16
Superintendent of Electric Utility	Stuart Tuttle	01-01-14 to 12-31-16



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF AUBURN MUNICIPAL UTILITIES, DEKALB COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the City of Auburn Municipal Utilities (Utilities), departments of the City of Auburn (City), as of and for the year ended December 31, 2014. 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, the changes in financial position and, where applicable, departments of the City of Auburn, 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 Auburn as of December 31, 2014, the changes in its financial position, or, where applicable, its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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, departments of the City of Auburn, as of December 31, 2014, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America, requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

January 11, 2016

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## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were prepared by management of the Utilities. The financial statements and notes are presented as intended by the Utilities.

CITY OF AUBURN MUNICIPAL UTILITIES  
STATEMENT OF NET POSITION  
December 31, 2014

<u>Assets</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 103,125	\$ 401,860	\$ 3,820,830
Accounts receivable	68,635	187,762	552,890
Inventories	78,349	-	925,347
Prepaid items	5,498	11,020	21,215
	<u>255,607</u>	<u>600,642</u>	<u>5,320,282</u>
<b>Total current assets</b>			
<b>Noncurrent assets:</b>			
Restricted cash, cash equivalents and investments:			
Depreciation	1,023,107	2,651,775	458,159
Bond and interest	-	677,483	-
Construction	-	-	300,914
Debt service reserve	199,670	1,352,288	-
Cash reserve	-	20,692	81,313
Improvement	-	1,233,811	-
Customer deposits	52,440	58,482	192,015
	<u>1,275,217</u>	<u>5,994,531</u>	<u>1,032,401</u>
<b>Total restricted assets</b>			
Deferred outflow of resources	-	-	384,820
	<u>-</u>	<u>-</u>	<u>384,820</u>
<b>Capital assets:</b>			
Land, improvements to land and construction in progress	766,251	458,955	6,747,313
Other capital assets (net of accumulated depreciation)	17,214,225	50,306,513	27,500,091
	<u>17,980,476</u>	<u>50,765,468</u>	<u>34,247,404</u>
<b>Total capital assets</b>			
<b>Total noncurrent assets</b>			
	<u>19,255,693</u>	<u>56,759,999</u>	<u>35,664,625</u>
<b>Total assets</b>			
	<u>19,511,300</u>	<u>57,360,641</u>	<u>40,984,907</u>
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Accounts payable	49,045	61,275	2,717,829
Taxes payable	9,202	-	65,841
Wages payable	26,457	41,407	65,944
Compensated absences	27,684	40,807	59,261
Current liabilities payable from restricted assets:			
Customer deposits	52,440	58,482	192,015
Accrued interest payable	-	207,482	55,599
Revenue bonds payable	254,010	-	150,000
State Revolving Fund loan payable	-	945,000	-
	<u>418,838</u>	<u>1,354,453</u>	<u>3,306,489</u>
<b>Total current liabilities</b>			
<b>Noncurrent liabilities:</b>			
Revenue bonds payable (net of unamortized premium)	876,574	-	3,230,000
State Revolving Fund loan payable	-	15,185,000	-
	<u>876,574</u>	<u>15,185,000</u>	<u>3,230,000</u>
<b>Total noncurrent liabilities</b>			
<b>Total liabilities</b>			
	<u>1,295,412</u>	<u>16,539,453</u>	<u>6,536,489</u>
<b><u>Net Position</u></b>			
Net investment in capital assets	16,849,892	34,635,468	30,867,404
Restricted for debt service	199,670	1,822,289	-
Restricted for other purposes	1,023,107	3,906,278	784,787
Unrestricted	143,219	457,153	2,796,227
	<u>18,215,888</u>	<u>40,821,188</u>	<u>34,448,418</u>
<b>Total net position</b>			
	<u>\$ 18,215,888</u>	<u>\$ 40,821,188</u>	<u>\$ 34,448,418</u>

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

CITY OF AUBURN MUNICIPAL UTILITIES  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
As of and for the Year Ended December 31, 2014

	Water Utility	Wastewater Utility	Electric Utility
Operating Revenues:			
Metered revenue:			
Residential	\$ 1,036,426	\$ 2,110,448	\$ 4,986,529
Commercial	362,644	833,308	2,576,978
Industrial	543,205	1,305,175	25,797,503
Public street and highway lighting	-	-	166,330
Fire protection revenue	129,891	-	-
Penalties	11,725	63,943	93,717
Flat rate revenues	-	102,789	-
Network service fees	-	-	2,665,925
Other	51,173	416,933	1,044,677
	<u>2,135,064</u>	<u>4,832,596</u>	<u>37,331,659</u>
Total operating revenues			
Operating expenses:			
Salaries and wages	719,783	1,005,718	1,594,025
Employee benefits	291,614	442,730	601,734
Materials and supplies	83,146	247,747	220,106
Maintenance	286,812	248,890	-
Purchased power	259,771	275,556	27,767,214
Chemicals	9,708	220,269	-
Contractual services	74,115	185,107	599,719
Transmission and distribution	-	-	254,181
Network service expense	-	-	1,141,854
Transportation expense	33,507	14,723	-
Insurance	25,946	52,709	101,238
Depreciation	284,144	622,492	1,218,761
Utility receipts tax	30,478	-	507,471
Payment in lieu of taxes	139,000	283,000	170,000
Bad debt expense	1,059	934	4,063
Miscellaneous expense	36,401	97,815	406,550
	<u>2,275,484</u>	<u>3,697,690</u>	<u>34,586,916</u>
Total operating expenses			
Operating income (loss)	<u>(140,420)</u>	<u>1,134,906</u>	<u>2,744,743</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	1,310	4,935	2,639
Miscellaneous revenue	18,354	-	125,441
Interest expense	(47,883)	(422,227)	(134,922)
Amortization of deferred charges	-	-	(15,692)
	<u>(28,219)</u>	<u>(417,292)</u>	<u>(22,534)</u>
Total nonoperating revenues (expenses)			
Income (loss) before contributions	(168,639)	717,614	2,722,209
Contributions	<u>1,737,442</u>	<u>76,378</u>	<u>2,935,456</u>
Change in net position			
Total net position - beginning	<u>16,647,085</u>	<u>40,027,196</u>	<u>28,790,753</u>
Total net position - ending	<u>\$ 18,215,888</u>	<u>\$ 40,821,188</u>	<u>\$ 34,448,418</u>

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

CITY OF AUBURN MUNICIPAL UTILITIES  
STATEMENT OF CASH FLOWS  
As of and for the Year Ended December 31, 2014

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Electric Utility</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 2,137,770	\$ 4,820,408	\$ 37,124,244
Payments to suppliers and contractors	(964,274)	(1,633,309)	(30,860,583)
Payments to employees	(1,005,959)	(1,440,193)	(2,184,930)
Payments for taxes	(30,647)	-	(504,527)
Other receipts	18,354	-	125,441
	<u>155,244</u>	<u>1,746,906</u>	<u>3,699,645</u>
Net cash provided by operating activities			
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(1,834,318)	(430,224)	(3,461,063)
Capital contributions	1,737,442	76,378	2,935,456
Principal paid on capital debt	(244,640)	(910,000)	-
Interest paid on capital debt	(47,883)	(435,543)	(134,923)
	<u>(389,399)</u>	<u>(1,699,389)</u>	<u>(660,530)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Interest received	1,310	4,935	2,639
	<u>1,310</u>	<u>4,935</u>	<u>2,639</u>
Net increase (decrease) in cash and cash equivalents			
	(232,845)	52,452	3,041,754
Cash and cash equivalents, January 1	<u>1,611,187</u>	<u>6,343,939</u>	<u>1,811,477</u>
Cash and cash equivalents, December 31	<u>\$ 1,378,342</u>	<u>\$ 6,396,391</u>	<u>\$ 4,853,231</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (140,420)	\$ 1,134,906	\$ 2,744,743
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	284,144	622,492	1,218,761
Miscellaneous nonoperating revenues	18,354	-	125,441
(Increase) decrease in assets:			
Accounts receivable	2,706	(12,188)	(207,415)
Inventories	(26,049)	-	(23,939)
Prepaid items	(103)	7	(70)
Increase (decrease) in liabilities:			
Accounts payable	18,142	3,751	(36,361)
Taxes payable	(169)	-	2,944
Wages payable	(324)	1,237	8,898
Compensated absence payable	5,762	7,018	1,931
Customer deposits	(6,799)	(10,317)	(135,288)
	<u>295,664</u>	<u>612,000</u>	<u>954,902</u>
Total adjustments	<u>295,664</u>	<u>612,000</u>	<u>954,902</u>
Net cash provided by operating activities	<u>\$ 155,244</u>	<u>\$ 1,746,906</u>	<u>\$ 3,699,645</u>

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

CITY OF AUBURN MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activities of the City of Auburn Municipal Utilities (Utilities) and are not intended to present fairly the position of the City of Auburn (City), and the results of its operations and cash flows of its enterprise funds. 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 Position; Statement of Revenues, Expenses and Changes in Net Position; 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 activities 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.

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 Position 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.

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

CITY OF AUBURN 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 Position because their use is limited by applicable bond covenants.

The financial statements report Water Utility restricted net position of \$1,222,777, Wastewater Utility restricted net position of \$5,728,567, and Electric Utility restricted net position of \$784,787, of which all are 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
Buildings	\$ 5,000	Composite	1.5% to 3.0%
Improvements other than buildings	5,000	Composite	1.5% to 3.0%
Machinery and equipment	5,000	Composite	1.5% to 3.0%
Transportation equipment	5,000	Composite	1.5% to 3.0%

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. The construction phase was complete at the end of 2013 for capital assets of business-type activities and therefore no interest was capitalized for 2014.

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

5. Compensated Absences

- a. Sick Leave - Utility employees earn sick leave at the rate of 6 days per year. Sick leave does not accumulate from year to year.
- 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 does not accumulate from year to year.
- c. Personal Leave - Utility employees earn personal leave at the rate of 6 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 Position. Bond premiums and discounts 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.

II. Detailed Notes on All Funds

A. 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, 2014, the Utilities had deposit balances in the amount of \$1,378,342, \$6,396,391, and \$4,853,231 for the Water, Wastewater, and Electric Utilities, respectively.

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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 735,068	\$ -	\$ -	\$ 735,068
Construction in progress	<u>2,363,030</u>	<u>1,737,442</u>	<u>4,069,289</u>	<u>31,183</u>
Total capital assets, not being depreciated	<u>3,098,098</u>	<u>1,737,442</u>	<u>4,069,289</u>	<u>766,251</u>
Capital assets, being depreciated:				
Buildings	3,510,677	114,850	-	3,625,527
Improvements other than buildings	13,759,797	4,071,091	39,550	17,791,338
Machinery and equipment	1,337,138	-	-	1,337,138
Transportation equipment	<u>272,050</u>	<u>-</u>	<u>-</u>	<u>272,050</u>
Totals	<u>18,879,662</u>	<u>4,185,941</u>	<u>39,550</u>	<u>23,026,053</u>
Less accumulated depreciation	<u>5,547,458</u>	<u>284,144</u>	<u>19,774</u>	<u>5,811,828</u>
Total capital assets, being depreciated, net	<u>13,332,204</u>	<u>3,901,797</u>	<u>19,776</u>	<u>17,214,225</u>
Total capital assets, net	<u>\$ 16,430,302</u>	<u>\$ 5,639,239</u>	<u>\$ 4,089,065</u>	<u>\$17,980,476</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 377,757	\$ -	\$ -	\$ 377,757
Construction in progress	<u>21,942,027</u>	<u>335,311</u>	<u>22,196,140</u>	<u>81,198</u>
Total capital assets, not being depreciated	<u>22,319,784</u>	<u>335,311</u>	<u>22,196,140</u>	<u>458,955</u>
Capital assets, being depreciated:				
Buildings	6,288,738	20,486,082	-	26,774,820
Improvements other than buildings	24,232,951	2,265,815	449,093	26,049,673
Machinery and equipment	10,579,005	8,109	19,860	10,567,254
Transportation equipment	<u>380,209</u>	<u>-</u>	<u>-</u>	<u>380,209</u>
Totals	<u>41,480,903</u>	<u>22,760,006</u>	<u>468,953</u>	<u>63,771,956</u>
Less accumulated depreciation:	<u>12,842,951</u>	<u>622,492</u>	<u>-</u>	<u>13,465,443</u>
Total capital assets, being depreciated, net	<u>28,637,952</u>	<u>22,137,514</u>	<u>468,953</u>	<u>50,306,513</u>
Total capital assets, net	<u>\$ 50,957,736</u>	<u>\$ 22,472,825</u>	<u>\$22,665,093</u>	<u>\$50,765,468</u>
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 701,589	\$ 72,050	\$ -	\$ 773,639
Construction in progress	<u>11,198,636</u>	<u>3,243,194</u>	<u>8,468,156</u>	<u>5,973,674</u>
Total capital assets, not being depreciated	<u>11,900,225</u>	<u>3,315,244</u>	<u>8,468,156</u>	<u>6,747,313</u>
Capital assets, being depreciated:				
Buildings	2,543,958	643,880	-	3,187,838
Improvements other than buildings	27,778,584	3,007,019	-	30,785,603
Machinery and equipment	8,363,339	4,963,076	-	13,326,415
Transportation equipment	<u>1,790,028</u>	<u>-</u>	<u>-</u>	<u>1,790,028</u>
Totals	<u>40,475,909</u>	<u>8,613,975</u>	<u>-</u>	<u>49,089,884</u>
Less accumulated depreciation:	<u>20,371,032</u>	<u>1,218,761</u>	<u>-</u>	<u>21,589,793</u>
Total capital assets, being depreciated, net	<u>20,104,877</u>	<u>7,395,214</u>	<u>-</u>	<u>27,500,091</u>
Total capital assets, net	<u>\$ 32,005,102</u>	<u>\$ 10,710,458</u>	<u>\$ 8,468,156</u>	<u>\$34,247,404</u>

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

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

	2014
Water	\$ 284,144
Wastewater	622,492
Electric	1,218,761
Total depreciation expense	\$ 2,125,397

C. Construction Commitments

Construction work in progress is composed of the following:

	2014
Project	Expended to December 31
Water Utility:	
SCADA	\$ 29,774
AMI Project	1,409
Total for Water Utility	\$ 31,183
Wastewater Utility:	
Wastewater LTCP	\$ 60,605
Sewer Separation	3,493
Southeast Sewer Separation	17,100
Total for Wastewater Utility	\$ 81,198
Electric Utility:	
SmartGrid	\$ 4,418,713
Zone C LCP	1,554,961
Total for Electric Utility	\$ 5,973,674

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

D. 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	Add: Unamortized Premium	Amount
Water Utility:				
2010 Waterworks refunding revenue bonds	3.80%	\$ 1,076,030	\$ 54,554	\$ 1,130,584
Electric Utility:				
2011 Electric refunding revenue bonds	2.0 to 4.75%	\$ 3,380,000	-	\$ 3,380,000

Revenue bonds debt service requirements to maturity are as follows:

	Electric Utility		Water Utility	
	Principal	Interest	Principal	Interest
2015	\$ 150,000	\$ 134,923	\$ 254,010	\$ 38,499
2016	155,000	129,985	263,760	28,754
2017	155,000	125,917	273,880	18,637
2018	160,000	121,306	284,380	8,130
2019	165,000	116,062	-	-
2020-2024	925,000	480,860	-	-
2025-2029	1,140,000	261,083	-	-
2030-2034	530,000	25,414	-	-
Totals	<u>\$ 3,380,000</u>	<u>\$ 1,395,550</u>	<u>\$ 1,076,030</u>	<u>\$ 94,020</u>

2. Loans Payable

During 1995 and 2009, the Utilities entered into finance assistance agreements with the State of Indiana's Wastewater Revolving Loan program that allow for a maximum of \$6,600,000, and \$15,470,000, in 1995 and 2009, respectively, for improvements at the Wastewater treatment facility and sewer separation. At December 31, 2014, \$6,600,000 and \$15,470,000 had been drawn down against the 1995 and 2009 agreement. The following debt service requirements to maturity reflect the anticipated loan payments after the loans have been drawn down 100 percent:

CITY OF AUBURN MUNICIPAL UTILITIES  
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	Wastewater Utility	
	Principal	Interest
2015	\$ 945,000	\$ 407,104
2016	970,000	377,581
2017	930,000	346,657
2018	900,000	322,583
2019	920,000	300,229
2020-2024	5,030,000	1,144,104
2025-2029	5,815,000	478,562
2027-2030	620,000	7,657
Totals	\$ 16,130,000	\$ 3,384,477

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility					
Revenue bond payable	\$ 1,320,670	\$ -	\$ 244,640	\$ 1,076,030	\$ 254,010
Wastewater Utility					
SRF loans payable	\$ 17,040,000	\$ -	\$ 910,000	\$ 16,130,000	\$ 945,000
Electric Utility					
Revenue bond payable	\$ 3,380,000	\$ -	\$ -	\$ 3,380,000	\$ 150,000

E. Restricted Assets

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

	Water Utility	Wastewater Utility	Electric Utility
Depreciation	\$ 1,023,107	\$ 2,651,775	\$ 458,159
Bond and interest	-	677,483	-
Construction	-	-	300,914
Debt service reserve	199,670	1,352,288	-
Cash reserve	-	20,692	81,313
Improvement	-	1,233,811	-
Customer deposits	52,440	58,482	192,015
Total restricted assets	\$ 1,275,217	\$ 5,994,531	\$ 1,032,401

CITY OF AUBURN MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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F. Revenues Pledged

Water Utility Revenues Pledged

The Utilities have pledged future water revenues, net of specified operating expenses, to repay revenue bonds issued in 2010. Proceeds from the bonds provided financing for waterworks improvements. The bonds are payable solely from water net revenues and are payable through 2019. Annual principal and interest payments are expected to require less than 14 percent of operating revenues.

Wastewater Utility Revenues Pledged

The Utilities have pledged future wastewater revenues, net of specified operating expenses, to repay revenue bonds issued in 1995 and 2009, respectively. Proceeds from the bonds provided financing for Wastewater collection and treatment system improvements. The bonds are payable solely from wastewater net revenues and are payable through 2017 and 2030, respectively. Annual principal and interest payments are expected to require less than 30 percent of operating revenues.

Electric Utility Revenues Pledged

The Utilities have pledged future electric revenues, net of specified operating expenses, to repay revenue bonds issued in 2011. Proceeds from the bonds provided financing for electric improvements. The bonds are payable solely from electric net revenues and are payable through 2031. Annual principal and interest payments are expected to require less than 2 percent of operating revenues.

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; 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.

The City, including the Utilities, has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees and dependents. The risk financing fund is accounted for in the Self Insurance Fund, an internal service fund, where assets are set aside for claim settlements. The City purchases commercial insurance for claims in excess of coverage provided by the fund. Amounts are paid into the Self Insurance Fund by all funds from which payroll is paid. The amounts paid by each fund are determined by a percentage of the total payroll to the payroll paid from that fund.

CITY OF AUBURN MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
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During 2003, the City, including the Utilities, joined with other governmental entities in the Indiana Public Employers Plan, a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illness or injury (workers' comp). The City pays an annual premium to the risk pool for its job related illness or injury (workers' comp) coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$ 1,000,000 limit.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on January 11, 2000.

2. Wastewater Utility

The current rate structure was approved by the City Council on September 8, 2009.

3. Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on July 28, 1990.

C. 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. On July 1, 2013, PERF changed from an agent multiple-employer to a cost-sharing multiple-employer retirement plan. 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:

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Indiana Public Retirement System  
1 North Capitol 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.

D. Subsequent Events

On January 22, 2015, the City passed Resolution 01-2015 to approve new Electric Utility rates to be effective April 1, 2015.

On January 6, 2015, the City passed Ordinance 2014-20 to separate Auburn Essential Services (AES) from the Electric Utility as its own department including budget and financial statements. It was previously treated as a subsidiary of the Electric Utility. The change is to take effect January 1, 2015.

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.