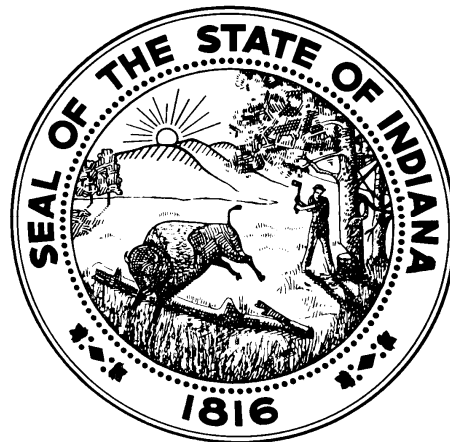


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT
2006

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



FILED
12/27/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Brenda Sullivan	01-01-06 to 12-31-07
Mayor	Fred Armstrong	01-01-06 to 12-31-07
President of the Board of Public Works and Safety	Fred Armstrong	01-01-06 to 12-31-07
President of the Common Council	Martha Meyers	01-01-06 to 12-31-07
Director of Utilities	Keith Reeves	01-01-06 to 12-31-07
Utility Business Manager	Dale Langferman	01-01-06 to 12-31-07
Airport Manager	Rod Blasdel	01-01-06 to 12-31-07
President of the Aviation Commission	James Pridgen John Kussman	01-01-06 to 12-31-06 01-01-07 to 12-31-07



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities of the Water Utility, Wastewater Utility, and Aviation Commission (Utilities and Commission), departments of the City of Columbus, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Utilities and Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements of the Water Utility, Wastewater Utility, and Aviation Commission, City of Columbus, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities and the Commission. They do not purport to, and do not, present fairly the financial position of the City of Columbus as of December 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities for the Water Utility, Wastewater Utility, and Aviation Commission, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

STATE BOARD OF ACCOUNTS

October 18, 2007

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2006**

REPORTING THE CITY AS A WHOLE

Statement of Net Assets and Statement of Activities

The Statement of Net Assets and the Statement of Activities reflect how the City of Columbus did financially during 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2006

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

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

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

Government-Wide Financial Analysis

Table 1 provides a summary of the City's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Assets						
Current Assets	18,066,567	18,042,915	7,594,455	11,133,046	25,661,022	29,175,961
Restricted Assets	3,392,731	3,624,135	9,945,685	35,803,513	13,338,416	39,427,648
Fixed Assets			76,945,179	79,602,211	76,945,179	79,602,211
Depreciation					-	-
Other Assets			300,971	315,357	300,971	315,357
Total Assets	21,459,298	21,667,050	94,786,290	126,854,127	116,245,588	148,521,177
Liabilities						
Current and Other Liabilities			3,122,396	1,934,119	3,122,396	1,934,119
Long-Term Debt			7,707,148	34,321,720	7,707,148	34,321,720
Other Liabilities					-	-
Equity/Retained Earnings					-	-
Total Liabilities	-	-	10,829,544	36,255,839	10,829,544	36,255,839
Total Net Assets	21,459,298	21,667,050	83,956,746	90,598,288	105,416,044	112,265,338
Net Assets						
Invested in Capital Assets, Net of related debt			67,409,744	44,388,491	67,409,744	44,388,491
Restricted	4,846,013	3,624,135	1,745,578	929,859	6,591,591	4,553,994
Unrestricted	16,613,285	18,042,915	14,801,424	45,279,938	31,414,709	63,322,853
Total Net Assets	21,459,298	21,667,050	83,956,746	90,598,288	105,416,044	112,265,338

Total net assets for governmental activities increased \$207 thousand. The governmental activities had an increase in revenues of \$898,399 thousand and an increase in expenses of \$2.3 million.

City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2006

The net assets for business-type activities increased \$6.6 million. The business-type activities had an increase in revenues of \$2.9 million and a slight increase in expenses of \$4,804 with an increase in beginning assets of \$3.7 million which makes up the net increase of \$6.6 million in net assets.

Table 2 reflects the changes in net assets for 2006 with a comparison to 2005 net assets. This is a comparative analysis of government-wide data to compare the changes in each category of revenues and disbursements.

Table 2
Changes in Net Assets

Table 2 reflects the changes in net assets for 2006 compared to 2005

	Governmental	Business-Type	Governmental	Business-Type	Total	
	Activities	Activities	Activities	Activities	2005	2006
	2005	2005	2006	2006	2005	2006
Receipts						
Program Receipts						
Charges For Services	11,196,415	8,449,017	10,552,684	10,197,498	19,645,432	20,750,182
Operating Grants and Contributions	2,459,738		4,494,231		2,459,738	4,494,231
Capital Grants and Contributions	2,009,016		-		2,009,016	-
Total Program Receipts	15,665,169	8,449,017	15,046,915	10,197,498	24,114,186	25,244,413
General Receipts						
Property Taxes	22,129,155		22,114,095		22,129,155	22,114,095
Other Local Sources	2,814,612	1,645,917	1,531,031	2,125,658	4,460,529	3,656,689
Other Revenues	7,830,934	3,219,795	10,646,228	3,938,760	11,050,729	14,584,988
Total General Receipts	32,774,701	4,865,712	34,291,354	6,064,418	37,640,413	40,355,772
Total Receipts	48,439,870	13,314,729	49,338,269	16,261,916	61,754,599	65,600,185
Transfers						
Total Receipts and Transfers	48,439,870	13,314,729	49,338,269	16,261,916	61,754,599	65,600,185
Program Disbursements						
General Government	15,231,072		17,226,801		15,231,072	17,226,801
Public Safety	16,072,108		15,120,573		16,072,108	15,120,573
Highway and streets	4,011,817		4,396,271		4,011,817	4,396,271
Sanitation	1,636,611		1,668,746		1,636,611	1,668,746
Health and Welfare	61,562		-		61,562	-
Economic Development	1,381,041		1,523,352		1,381,041	1,523,352
Culture and recreation	8,413,788		9,194,774		8,413,788	9,194,774
Interest on Long-Term Debt						
Water		3,885,422		3,957,083	3,885,422	3,957,083
Wastewater		4,472,024		4,444,916	4,472,024	4,444,916
Aviation		1,258,124		1,218,375	1,258,124	1,218,375
Total Disbursements	46,807,999	9,615,570	49,130,517	9,620,374	56,423,569	58,750,891
Increase in Cash Net Assets	1,631,871	3,699,159	207,752	6,641,542	5,331,030	6,849,294
Beginning Cash Net Assets	19,827,427	80,257,587	21,459,298	83,956,746	100,085,014	105,416,044
Ending Cash Net Assets	21,459,298	83,956,746	21,667,050	90,598,288	105,416,044	112,265,338

The major program expenses for governmental activities are for general government, which accounts for just over 35% of all governmental expenses. Public Safety accounts for just below 31% of total disbursements. Culture and recreation increased from 2005 to 2006 by 780 thousand which accounts for just below 19% of all disbursements. These three programs account for over 84% of the total disbursements for the City of Columbus and are funded almost entirely from property taxes, CAGIT revenues, and State shared revenues.

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2006**

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

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. A comparison is provided to show changes from 2005 to 2006.

**Table 3
Governmental Activities**

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

	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2006	Net Cost of Services 2006
Program Disbursements				
General Government	15,231,072	6,542,934	17,226,801	8,324,145
Public Safety	16,072,108	15,873,283	15,120,573	14,995,839
Highway and streets	4,011,817	2,197,059	4,396,271	2,492,138
Sanitation	1,636,611	1,636,611	1,668,746	1,668,746
Health and Welfare	61,562	(691,133)	-	(206,718)
Economic Development	1,381,041	1,081,514	1,523,352	340,554
Culture and recreation	8,413,788	4,502,562	9,194,774	6,468,898
Total Disbursements	46,807,999	31,142,830	49,130,517	34,083,602

It should be noted that for all governmental activities, over 69 percent of the revenues to provide these services are derived from the City's general revenues: that being primarily property taxes, CAGIT monies, and state shared revenues. The negative cost of health and welfare services indicates that program revenues are sufficient enough to cover the costs of this program.

GOVERNMENTAL ACTIVITIES FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund, the Public Safety fund, and the Culture and Recreation fund. A review of these funds indicates a significant change in general government expenses due to the reduction of other revenues for 2006. The public safety disbursements decreased due to the reduction in state shared revenues. Culture and recreation disbursements increased by adding more people trails for the communities to achieve a more active physical life. The other areas either decreased or had a very insignificant change in activity from the prior year.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

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

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

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2006**

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

The expenses encountered by the utilities division did not change significantly from 2005 to 2006. The charge for services generates enough revenue to offset the expenses generated by utilities and along with the general revenues it covers all the expenses for the utility division.

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

CURRENT ISSUES

The City of Columbus made State news with Cummins' building expansion of \$22,000,000 and additional manufacturing equipment in the amount of \$143,000,000 for a total investment of \$165,000,000. This will create more than 800 new jobs in Columbus.

The City received the approval for a public works project needed by the Parks Department. The revolving loan was approved by City Council and included in the 2006 budget. The Department of Local Government Finance Control Board approved the loan and a tax rate was set to pay this debt back within one (1) year.

The Clerk Treasurer's office continues to be current on all bank reconciliations on all funds. The paying of claims and proper documentation was discussed in a meeting with all department heads and a written policy put into place as to the necessary paperwork required by the Clerk Treasurer's office recommended by the State Board of Accounts. The 2006 year was closed timely and all monies were accounted for with remaining balances forwarded to the New Year.

**City of Columbus
Management's Discussion and Analysis
For the Year Ended December 31, 2006**

The Vision 20/20 Downtown Committee continues to be hard at work. Many projects are on the table and there is much enthusiasm as to the revitalization of downtown. Hotel Indigo has committed to build a new hotel and construction has begun. Mill Race Adult Community Center is nearing their financial goals and should be under construction in the near future. A sports complex and new educational opportunities are in the near future.

Downtown parking has been an issue for years and the Redevelopment Commission is moving forward with a new parking garage facility. This should be completed in 2008.

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

The Columbus Service League was able to obtain funding and create a new park in Columbus named Freedom Field which is assessable to all. The playground equipment was paid for by donations and was gifted to the Columbus Parks Department.

The TAC Team, better known as Technology Advisory Committee, has developed and is implementing E-Columbus telecommunications initiatives throughout the city.

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

After 12 years, the Columbus Transit Department was able to order five new buses for delivery in 2007. The buses are to be paid for by a partial grant of state and federal money. The buses will have Cummins engines and Allison transmissions, both Indiana companies. With an expected lifetime of 12 years, these buses represent the next step in improving an already award-winning transit system.

For our utilities division a major construction project was started in 2006. We have begun a 40 million dollar project to abate our CSO problems as mandated by the state. We are also replacing and adding capacity to our southern and eastern sewer system. We are adding water lines to the eastern side of the community. The water project will be funded from current reserves, but a rate increase has been implemented to fund the wastewater improvements. Bonds in the amount of \$27,449,000 were sold through the State Revolving Loan Fund in December of 2006. Another \$17,000,000 will be sold mid-year of 2007 to complete the projects. The projects should be completed over the next three years.

REQUEST FOR INFORMATION

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

WATER UTILITY, WASTEWATER UTILITY,
AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
December 31, 2006

<u>Assets</u>	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Aviation</u>	<u>Totals</u>
Current assets:				
Cash and cash equivalents	\$ 201,525	\$ 2,592,682	\$ 915,558	\$ 3,709,765
Investments	4,375,000	1,463,166	-	5,838,166
Interest receivable	109,988	101,284	-	211,272
Accounts receivable	362,796	634,186	31,904	1,028,886
Notes receivable	1,821	822	-	2,643
Inventories	130,592	61,655	-	192,247
Prepaid items	69,155	64,570	16,342	150,067
Total current assets	5,250,877	4,918,365	963,804	11,133,046
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation cash and cash equivalents	146,590	2,445,455	-	2,592,045
Depreciation investments	5,225,000	200,000	-	5,425,000
Bond reserve investments	-	32,095	-	32,095
Bond and interest cash and cash equivalents	30,824	788,244	-	819,068
Bond and interest investments	59,755	-	-	59,755
Customer deposits cash and cash equivalents	5,107	10,381	-	15,488
Customer deposits investments	79,000	98,000	-	177,000
SRF investment	-	26,664,121	-	26,664,121
FAA grant cash and cash equivalents	-	-	18,941	18,941
Total restricted assets	5,546,276	30,238,296	18,941	35,803,513
Deferred charges	103,620	211,737	-	315,357
Capital assets:				
Land, improvements to land and construction in progress	554,852	2,975,225	4,132,225	7,662,302
Other capital assets (net of accumulated depreciation)	27,911,015	34,785,636	9,243,258	71,939,909
Total capital assets	28,465,867	37,760,861	13,375,483	79,602,211
Total noncurrent assets	34,115,763	68,210,894	13,394,424	115,721,081
Total assets	39,366,640	73,129,259	14,358,228	126,854,127
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	6,425	23,875	36,824	67,124
Accrued payroll and withholdings payable	27,158	31,970	1,181	60,309
Taxes payable	12,105	-	-	12,105
Notes payable	-	72,000	-	72,000
Deferred revenue	-	-	212,942	212,942
Compensated absences	9,487	12,736	-	22,223
Current liabilities payable from restricted assets:				
Customer deposits	84,107	108,381	-	192,488
Loan payable	-	15,000	-	15,000
Revenue bonds payable	45,000	760,000	-	805,000
Accrued interest payable	51,206	110,119	-	161,325
Contracts payable	-	-	313,603	313,603
Total current liabilities	235,488	1,134,081	564,550	1,934,119
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,230,801	3,317,202	-	6,548,003
Loans payable	-	27,773,717	-	27,773,717
Total noncurrent liabilities	3,230,801	31,090,919	-	34,321,720
Total liabilities	3,466,289	32,225,000	564,550	36,255,839
<u>Net Assets</u>				
Invested in capital assets, net of related debt	25,190,067	32,487,062	13,375,483	71,052,612
Restricted for debt service and federal grant requirements	90,579	820,339	18,941	929,859
Unrestricted	10,619,705	7,596,858	399,254	18,615,817
Total net assets	\$ 35,900,351	\$ 40,904,259	\$ 13,793,678	\$ 90,598,288

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

WATER UTILITY, WASTEWATER UTILITY,
AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Aviation	Totals
Operating revenues:				
Flat rate revenues	\$ -	\$ 75,176	\$ -	\$ 75,176
Measured revenue:				
Residential	2,193,714	3,635,667	-	5,829,381
Commercial	619,889	1,079,368	-	1,699,257
Industrial	651,981	1,046,074	-	1,698,055
Penalties	20,454	85,561	-	106,015
Hydrant rentals/sprinkler systems	687,457	-	-	687,457
Airport operating revenues	-	-	102,157	102,157
Farming	-	-	553,144	553,144
Rental	-	-	522,303	522,303
Other	402,679	818,172	5,980	1,226,831
	<u>4,576,174</u>	<u>6,740,018</u>	<u>1,183,584</u>	<u>12,499,776</u>
Total operating revenues				
Operating expenses:				
Source of supply and expense/Collection System Expense - operations and maintenance:				
Salaries and wages	187,401	283,708	-	471,109
Employee pensions and benefits	14,068	20,724	-	34,792
Materials and supplies	6,173	5,653	-	11,826
Chemicals	-	14,782	-	14,782
Other	-	52,670	-	52,670
Pumping expense - operations and maintenance:				
Salaries and wages	-	122,650	-	122,650
Employee pensions and benefits	-	9,057	-	9,057
Purchase power	-	74,012	-	74,012
Other	-	16,799	-	16,799
Treatment and disposal expense - operations and maintenance:				
Salaries and wages	-	741,123	-	741,123
Employee pensions and benefits	-	55,038	-	55,038
Purchase power	-	193,449	-	193,449
Fuel for power production	-	89,267	-	89,267
Chemicals	-	16,828	-	16,828
Materials and supplies	-	44,630	-	44,630
Contractual services	-	333,974	-	333,974
Other	-	85,529	-	85,529
Transmission and distribution/pumping expense - operations and maintenance:				
Salaries and wages	508,914	-	-	508,914
Employee pensions and benefits	37,882	-	-	37,882
Chemicals	8,547	-	-	8,547
Materials and supplies	18,098	-	-	18,098
Purchase power	16,636	-	-	16,636
Fuel for power production	10,438	-	-	10,438
Other	215,183	-	-	215,183
Water treatment expense - operations and maintenance:				
Salaries and wages	332,041	-	-	332,041
Employee pensions and benefits	24,458	-	-	24,458
Purchase power	338,289	-	-	338,289
Fuel for power production	14,826	-	-	14,826
Chemicals	82,542	-	-	82,542
Materials and supplies	2,513	-	-	2,513
Other	191,595	-	-	191,595
Customer accounts expense:				
Salaries and wages	79,631	55,407	-	135,038
Employee pensions and benefits	5,869	4,018	-	9,887
Materials and supplies	2,240	3,852	-	6,092
Contractual services	24,067	25,916	-	49,983
Other	2,998	1,267	-	4,265

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

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

	Water Utility	Wastewater Utility	Aviation	Totals
Operating expenses (continued):				
Administrative and general expense:				
Salaries and wages	190,117	239,759	302,647	732,523
Employee pensions and benefits	303,879	351,848	-	655,727
Materials and supplies	-	4,097	82,076	86,173
Contractual services	60,761	51,715	-	112,476
Purchase power	-	36,375	-	36,375
Depreciation and amortization	698,239	920,882	348,202	1,967,323
Properties	-	-	46,097	46,097
Other	352,019	281,810	439,353	1,073,182
	<u>3,729,424</u>	<u>4,136,839</u>	<u>1,218,375</u>	<u>9,084,638</u>
Total operating expenses				
Operating income (loss)	<u>846,750</u>	<u>2,603,179</u>	<u>(34,791)</u>	<u>3,415,138</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	487,087	360,063	27,861	875,011
Rent	85,200	90,000	-	175,200
Loss on sale of assets	(43,379)	(2,232)	-	(45,611)
Interest on revenue bonds	(164,778)	(264,812)	-	(429,590)
Amortization of bond issue costs	(19,502)	(41,033)	-	(60,535)
	<u>344,628</u>	<u>141,986</u>	<u>27,861</u>	<u>514,475</u>
Total nonoperating revenue (expenses)				
Income (loss) before contributions	1,191,378	2,745,165	(6,930)	3,929,613
Capital contributions	398,211	395,305	1,918,413	2,711,929
Change in net assets	1,589,589	3,140,470	1,911,483	6,641,542
Total net assets - beginning	<u>34,310,762</u>	<u>37,763,789</u>	<u>11,882,195</u>	<u>83,956,746</u>
Total net assets - ending	<u>\$ 35,900,351</u>	<u>\$ 40,904,259</u>	<u>\$ 13,793,678</u>	<u>\$ 90,598,288</u>

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

WATER UTILITY, WASTEWATER UTILITY,
AND AVIATION COMMISSION
CITY OF COLUMBUS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For The Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Aviation	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 4,106,873	\$ 5,591,064	\$ 1,146,891	\$ 10,844,828
Payments to suppliers	(1,329,430)	(1,355,654)	(571,184)	(3,256,268)
Payments to employees	(1,687,369)	(1,869,126)	(302,698)	(3,859,193)
Other receipts (payments)	402,680	818,171	-	1,220,851
Net cash provided by operating activities	1,492,754	3,184,455	273,009	4,950,218
Cash flows from noncapital financing activities:				
Other Income	85,200	90,000	-	175,200
Cash flows from capital and related financing activities:				
Purchase of capital assets	(455,245)	(86,132)	(2,003,919)	(2,545,296)
Acquisition and construction of capital assets	(47,484)	(1,391,968)	-	(1,439,452)
Principal paid on capital debt	(1,145,000)	(595,000)	-	(1,740,000)
Interest paid on capital debt	(155,910)	(193,346)	-	(349,256)
Bond issue cost paid	-	(77,619)	-	(77,619)
Bond anticipation notes/principal on loan	-	27,360,692	-	27,360,692
Capital contributions	-	-	1,918,413	1,918,413
Net cash used by capital and related financing activities	(1,803,639)	25,016,627	(85,506)	23,127,482
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	9,372,251	3,833,115	-	13,205,366
Purchase of investments	(9,738,755)	(28,425,287)	-	(38,164,042)
Interest received	487,087	360,063	27,861	875,011
Net cash provided (used) by investing activities	120,583	(24,232,109)	27,861	(24,083,665)
Net decrease in cash and cash equivalents	(105,102)	4,058,973	215,364	4,169,235
Cash and cash equivalents, January 1				
(Including \$1,025,633, \$288,828, \$33,474, \$32,095, and \$35,289 for the Depreciation Cash and Cash Equivalents, Bond and Interest Cash and Cash Equivalents, Customer Deposits Cash and Cash Equivalents, Bond Reserve Investments and FAA Grant Cash and Cash Equivalents, respectively, reported in restricted accounts)				
	<u>489,148</u>	<u>1,777,789</u>	<u>719,134</u>	<u>2,986,071</u>
Cash and cash equivalents, December 31				
(Including \$2,592,045, \$819,068, \$15,488, and \$18,941 for the Depreciation Cash and Cash Equivalents, Bond and Interest Cash and Cash Equivalents, Customer Deposits Cash and Cash Equivalents, and FAA Grant Cash and Cash Equivalents, respectively, reported in restricted accounts)				
	<u>\$ 384,046</u>	<u>\$ 5,836,762</u>	<u>\$ 934,498</u>	<u>\$ 7,155,306</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 846,750	\$ 2,603,179	\$ (34,791)	\$ 3,415,138
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	698,239	920,882	348,202	1,967,323
(Increase) decrease in assets:				
Accounts receivable	47,615	(270,648)	(18,277)	(241,310)
Accounts receivable - other	-	6,602	-	6,602
Notes receivable	-	(220)	-	(220)
Interest receivable	(26,947)	(66,516)	-	(93,463)
Inventories	51,690	3,768	-	55,458
Prepaid items	2,152	(3,599)	5,873	4,426
Increase (decrease) in liabilities:				
Customer deposits	2,068	15,947	-	18,015
Accounts payable	(34,630)	(23,199)	(9,531)	(67,360)
Deferred revenue	(87,290)	-	(18,416)	(105,706)
Accrued wages payable	(3,218)	178	(51)	(3,091)
Taxes payable	(1,717)	-	-	(1,717)
Compensated absence payable	(1,959)	(1,918)	-	(3,877)
Total adjustments	646,003	581,277	307,800	1,535,080
Net cash provided by operating activities	\$ 1,492,753	\$ 3,184,456	\$ 273,009	\$ 4,950,218
Noncash investing, capital and financing activities:				
Contributions of capital assets from developers	\$ 398,211	\$ 395,305	\$ -	

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

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utilities and Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the Utilities and Commission to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

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

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

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by bond covenants.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold		Depreciation Method	Estimated Useful Life
	Aviation	Utilities		
Buildings and improvements	\$ 5,000	\$ 500	Straight-line	67 to 80 years
Improvements other than buildings	5,000	500	Straight-line	20 to 80 years
Machinery and equipment	5,000	500	Straight-line	5 to 20 years
Transportation	5,000	500	Straight-line	5 to 10 years

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 Utility during the current year was \$429,590. Of the amount, none was included as part of the cost of capital assets under construction.

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

5. Compensated Absences

- a. Sick Leave – Utilities and Commission's employees earn sick leave at the rate of 6 days per year. Sick leave does not accumulate from year to year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees.
- b. Vacation Leave – Utilities and Commission's employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 10 days. Accumulated vacation leave is paid to employees through cash payments.
- c. Personal Leave – Utilities and Commission's employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

Vacation leave is accrued when incurred.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

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

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 237,523	\$ -	\$ -	\$ 237,523
Construction in progress	774,808	47,484	504,963	317,329
Capital assets, being depreciated:				
Buildings and structures	35,116,215	1,139,458	38,889	36,216,784
Machinery and equipment	2,007,677	174,369	69,232	2,112,814
Transportation equipment	476,760	545	116,039	361,266
Office equipment, furniture, and fixtures	682,611	44,046	4,557	722,100
Fully depreciated assets	795,305	125,071	229,205	691,171
Less accumulated depreciation for:				
Buildings and structures	(9,779,506)	(516,128)	(38,889)	(10,256,745)
Machinery and equipment	(762,803)	(100,388)	(41,410)	(821,781)
Transportation equipment	(219,253)	(47,587)	(102,229)	(164,611)
Office equipment, furniture, and fixtures	(227,486)	(34,135)	(2,809)	(258,812)
Fully depreciated assets	(795,305)	(125,071)	(229,205)	(691,171)
Total Water Utility capital assets, net	28,306,546	707,664	548,343	28,465,867
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	1,214,439	-	-	1,214,439
Construction in progress	1,275,749	1,395,928	910,891	1,760,786
Capital assets, being depreciated:				
Buildings and structures	41,477,003	1,284,354	-	42,761,357
Machinery and equipment	5,849,278	98,205	47,489	5,899,994
Transportation equipment	532,797	-	-	532,797
Office equipment, furniture, and fixtures	415,184	9,768	6,199	418,753
Fully depreciated assets	391,930	31,746	-	423,676
Less accumulated depreciation for:				
Buildings and structures	(10,831,637)	(554,619)	-	(11,386,256)
Machinery and equipment	(2,672,624)	(292,278)	(43,110)	(2,921,792)
Transportation equipment	(195,651)	(53,280)	-	(248,931)
Office equipment, furniture, and fixtures	(253,968)	(20,704)	(4,386)	(270,286)
Fully depreciated assets	(391,930)	(31,746)	-	(423,676)
Total Wastewater Utility capital assets, net	36,810,570	1,867,374	917,083	37,760,861
Airport:				
Capital assets, not being depreciated:				
Land	2,009,644	-	-	2,009,644
Construction in progress	3,900,472	1,877,355	3,655,246	2,122,581
Capital assets, being depreciated:				
Buildings	3,314,890	-	-	3,314,890
Improvements other than buildings	10,887,756	3,655,245	-	14,543,001
Machinery and equipment	344,040	18,267	-	362,307
Transportation equipment	162,109	-	-	162,109
Less accumulated depreciation for:				
Buildings	(2,140,932)	(71,339)	-	(2,212,271)
Improvements other than buildings	(6,391,222)	(223,528)	-	(6,614,750)
Machinery and equipment	(145,206)	(35,090)	-	(180,296)
Transportation equipment	(113,488)	(18,244)	-	(131,732)
Total Airport capital assets, net	11,828,063	5,202,666	3,655,246	13,375,483
Total business-type activity capital assets, net	\$ 76,945,179	\$ 7,777,704	\$ 5,120,672	\$ 79,602,211

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

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

Water	\$ 698,239
Wastewater	920,882
Aviation	<u>348,202</u>
Total depreciation expense	<u>\$ 1,967,323</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006	Committed	Required Future Funding
Water	\$ 800,000	\$ 317,329	\$ 482,671	\$ -
Wastewater	32,649,000	1,760,786	30,888,214	-
Aviation	<u>8,048,911</u>	<u>2,122,581</u>	<u>5,926,330</u>	-
Totals	<u>\$ 41,497,911</u>	<u>\$ 4,200,696</u>	<u>\$ 37,297,215</u>	<u>\$ -</u>

D. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Amount
2005 Waterworks Refunding Revenue Bond	2.80% to 4.25%	\$ 3,380,000
2005 Sewage Works Refunding Revenue Bond	4.00%	<u>4,210,000</u>
Total		<u>\$ 7,590,000</u>

Revenue bonds debt service requirements to maturity are as follows:

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

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2007	\$ 45,000	\$ 135,875	\$ 760,000	\$ 153,200
2008	45,000	134,300	810,000	121,800
2009	605,000	121,300	845,000	88,700
2010	625,000	96,700	880,000	54,200
2011	655,000	71,100	915,000	18,300
2012-2016	1,405,000	59,600	-	-
Totals	<u>\$ 3,380,000</u>	<u>\$ 618,875</u>	<u>\$ 4,210,000</u>	<u>\$ 436,200</u>

2. Notes and Loans Payable

The Wastewater Utility has entered into a note. Annual debt service requirements to maturity for the note, as of December 31, 2006, for the years ended December 31, are as follows:

2007	<u>\$ 72,000</u>
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3. State Revolving Loan Fund

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

Year Ended December 31	Principal	Interest
2007	\$ 15,000	\$ 681,558
2008	267,000	1,010,307
2009	274,000	1,000,366
2010	283,000	990,122
2011	293,000	979,520
2012-2016	6,753,717	4,271,205
2017-2021	8,081,000	2,918,231
2022-2026	9,671,000	1,300,362
2027-2031	2,151,000	39,256
Totals	<u>\$ 27,788,717</u>	<u>\$ 13,190,927</u>

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

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Water Utility	\$ 4,525,000	\$ -	\$ 1,145,000	\$ 3,380,000	\$ 45,000
Less deferred on refunding	(210,803)	-	(32,241)	(178,562)	-
Add unamortized premium	85,914	-	11,551	74,363	-
Total Water Utility	4,400,111	-	1,124,310	3,275,801	45,000
Wastewater Utility	4,805,000	-	595,000	4,210,000	760,000
Less deferred on refunding	(258,250)	-	(54,575)	(203,675)	-
Add unamortized premium	88,570	-	17,693	70,877	-
Total Wastewater Utility	4,635,320	-	558,118	4,077,202	760,000
Note payable	144,000	-	72,000	72,000	72,000
State revolving fund	354,717	27,449,000	15,000	27,788,717	15,000
Total long-term liabilities	\$ 9,534,148	\$ 27,449,000	\$ 1,769,428	\$ 35,213,720	\$ 892,000

III. Other Information

A. Risk Management

The Utilities and Commission is 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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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

The City, including the Utilities and Commission, has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees. The risk financing fund is where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$500,000 per year. Settled claims resulting from this

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

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 inter-fund transactions.

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

B. Subsequent Events

On January 29, 2007, the Wastewater Utility committed \$300,000 for land for the new Wastewater Utility treatment plant site.

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on November 15, 1992. The Utility has 16,103 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on May 4, 1992, with a rate increase approved on March 7, 2006. The Utility has 16,009 customers.

D. Pension Plans

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

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

WATER UTILITY, WASTEWATER UTILITY,
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NOTES TO FINANCIAL STATEMENTS
(Continued)

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

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

Funding Policy and Annual Pension Cost

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

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utilities and Commission is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole.

2. Utility Pension

Plan Description

The Columbus City Utilities (Water and Wastewater) have a defined benefit pension plan covering eligible employees. An employee becomes a participant with the completion of one year of eligible services and the attainment of age 21. Benefits are based on a 1.3% of monthly plan compensation multiplied by benefit service. Contributions are intended to provide not only for benefits attributed to service to date, but also those expected to be earned in the near future. Employee contributions are not required by the plan agreement.

Funding Policy and Annual Pension Cost

Information is not available.

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

Actuarial Information for Public Employees' Retirement Fund

	PERF
Annual required contribution	\$ 424,454
Interest on net pension obligation	(11,493)
Adjustment to annual required contribution	13,097
Annual pension cost	426,058
Contributions made	359,084
Increase in net pension obligation	66,974
Net pension obligation, beginning of year	(158,526)
Net pension obligation, end of year	\$ (91,552)
Contribution rates:	
Utilities and Commission	5.5%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

Information is not available for the Utility Pension Plan.

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

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-04	\$ 320,560	85%	\$ (231,711)
	06-30-05	338,720	98%	(158,256)
	06-30-06	426,058	106%	(91,552)

Information is not available for the Utility Pension Plan.

WATER UTILITY, WASTEWATER UTILITY,
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CITY OF COLUMBUS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 6,081,741	\$ 6,618,903	\$ (537,162)	92%	\$ 6,193,312	(9%)
07-01-05	6,331,234	7,682,218	(1,350,984)	82%	6,346,344	(21%)
07-01-06	7,340,740	8,363,060	(1,022,320)	88%	6,881,804	(15%)

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

The contents of this report were discussed on December 12, 2007, with Dale Langferman, Utility Business Manager. Our audit disclosed no material items that warrant comment at this time.