

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, 2012 to December 31, 2012



FILED
06/12/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Statement of Net Position.....	4
Statement of Revenues, Expenses, and Changes in Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16
Examination Result and Comment:	
Overdrawn Cash Balance.....	17
Exit Conference.....	18

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosie M. Coyle	01-01-12 to 12-31-15
Mayor	Ryan L. Daniel	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Ryan L. Daniel	01-01-12 to 12-31-15
President of the Common Council	Daniel L. Weigold	01-01-12 to 12-31-13
Superintendent of Water Utility	Michael D. Dear	01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Michel C. Cook	01-01-12 to 12-31-13
Superintendent of Electric Utility	Larry G. Whetstone	01-01-12 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the Electric Utility, Water Utility, Wastewater Utility, and Storm Water Utility (Utilities), major enterprise funds and departments of the City of Columbia City (City), as of and for the year ended December 31, 2012. 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 statements 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, 2012, 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, 2012, 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

May 1, 2013

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2012

<u>Assets</u>	Electric Utility	Water Utility	Wastewater Utility	Storm Water Utility
Current assets:				
Cash and cash equivalents	\$ 1,724,224	\$ -	\$ 84,544	\$ 861,659
Accounts receivable	958,507	172,262	328,399	81,690
Inventories	514,196	97,301	-	-
Prepaid items	55,892	20,299	29,168	-
	<u>3,252,819</u>	<u>289,862</u>	<u>442,111</u>	<u>943,349</u>
Total current assets				
Noncurrent assets:				
Restricted cash, cash equivalents, and investments:				
Depreciation	180,705	-	22,766	-
Bond and interest	-	76,299	919,319	-
Debt service reserve	-	273,789	1,568,349	-
Customer deposits	238,000	43,890	-	-
Construction	-	1,875,810	-	-
Cash reserve	444,355	-	42,856	-
	<u>863,060</u>	<u>2,269,788</u>	<u>2,553,290</u>	<u>-</u>
Total restricted assets				
Capital assets:				
Capital assets	13,527,696	8,829,886	35,779,798	345,931
Accumulated depreciation	(9,569,717)	(2,600,620)	(9,505,049)	(17,373)
Construction in progress	-	105,774	9,820,176	-
Land held for resale	1,981	-	-	-
	<u>3,959,960</u>	<u>6,335,040</u>	<u>36,094,925</u>	<u>328,558</u>
Total capital assets				
Total noncurrent assets				
	<u>4,823,020</u>	<u>8,604,828</u>	<u>38,648,215</u>	<u>328,558</u>
Total assets				
	<u>8,075,839</u>	<u>8,894,690</u>	<u>39,090,326</u>	<u>1,271,907</u>
Liabilities				
Current liabilities:				
Accounts payable	558,484	16,808	1,791	-
Taxes payable	39,576	7,665	-	-
Compensated absences	59,434	30,417	26,667	11,171
Current liabilities payable from restricted assets:				
Customer deposits	238,000	43,890	-	-
Revenue bonds payable	-	265,000	-	-
Loans payable	-	-	1,159,000	-
Accrued interest payable	-	28,650	328,313	-
	<u>895,494</u>	<u>392,430</u>	<u>1,515,771</u>	<u>11,171</u>
Total current liabilities				
Noncurrent liabilities:				
Revenue bonds payable (net of: unamortized discount and deferral on refunding)	-	4,061,815	-	-
Loans payable	-	-	21,468,000	-
	<u>-</u>	<u>4,061,815</u>	<u>21,468,000</u>	<u>-</u>
Total noncurrent liabilities				
Total liabilities				
	<u>895,494</u>	<u>4,454,245</u>	<u>22,983,771</u>	<u>11,171</u>
Net position				
Net investment in capital assets	3,957,979	1,972,040	13,467,924	328,558
Restricted for debt service	-	350,088	2,487,668	-
Restricted for other purposes	863,060	1,919,700	65,622	-
Unrestricted	2,359,306	198,617	85,341	932,178
	<u>\$ 7,180,345</u>	<u>\$ 4,440,445</u>	<u>\$ 16,106,555</u>	<u>\$ 1,260,736</u>
Total net position				

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

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
As Of And For The Year Ended December 31, 2012

	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Operating revenues:				
Residential sales	\$ 3,843,961	\$ 666,330	\$ -	\$ -
Commercial sales	2,232,810	314,838	-	-
Industrial sales	3,730,322	149,945	-	-
Municipal sales	125,028	-	-	-
Other sales	-	62,253	-	-
Security lights	40,577	-	-	-
Street lights	43,548	-	-	-
Franchises	30,437	-	-	-
Public fire protection	-	320,078	-	-
Private fire protection	-	75,670	-	-
Residential, commercial and industrial sales	-	-	3,511,204	734,986
Penalties	36,075	6,997	45,209	9,260
Other	56,313	58,631	11,916	48
	<u>10,139,071</u>	<u>1,654,742</u>	<u>3,568,329</u>	<u>744,294</u>
Total operating revenues				
Operating expenses:				
Sources of supply	-	599	-	-
Water treatment	-	194,523	-	-
Purchased power	7,104,024	-	-	-
Distribution	798,366	-	-	-
Transmission and distribution	-	416,187	-	-
Sewer maintenance	-	-	52,803	-
Plant maintenance	-	-	595,177	-
Lift station expense	-	-	384,043	-
Collection expense	-	-	52,235	-
Storm water maintenance	-	-	-	53,568
Customer accounts	78,308	70,998	-	-
Administration and general	1,560,217	614,867	702,713	300,347
Depreciation	508,263	160,665	1,296,310	17,373
	<u>10,049,178</u>	<u>1,457,839</u>	<u>3,083,281</u>	<u>371,288</u>
Total operating expenses				
Operating income	<u>89,893</u>	<u>196,903</u>	<u>485,048</u>	<u>373,006</u>
Nonoperating revenues (expenses):				
Interest income	3,185	374	329	825
Rental income	40,176	-	-	-
Tap fees	-	-	19,113	-
Other nonoperating revenue	9,726	15,106	2,320	-
Interest expense	-	(117,707)	(650,993)	-
Bond issue costs	-	(30,300)	(57,580)	-
Payment in lieu of taxes	(184,008)	(36,000)	(180,000)	-
	<u>(130,921)</u>	<u>(168,527)</u>	<u>(866,811)</u>	<u>825</u>
Total nonoperating revenues (expenses)				
Income (loss) before contributions	(41,028)	28,376	(381,763)	373,831
Contributions from Storm Water Utility	-	-	294,418	-
Contributions to Wastewater Utility	-	-	-	(294,418)
	<u>(41,028)</u>	<u>28,376</u>	<u>(87,345)</u>	<u>79,413</u>
Change in net position				
Total net position - beginning of year, as restated	<u>7,221,373</u>	<u>4,412,069</u>	<u>16,193,900</u>	<u>1,181,323</u>
Total net position - ending	<u>\$ 7,180,345</u>	<u>\$ 4,440,445</u>	<u>\$ 16,106,555</u>	<u>\$ 1,260,736</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, 2012

	Electric Utility	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 10,123,989	\$ 1,613,539	\$ 3,555,444	\$ 745,248
Payments to suppliers and contractors	(7,953,597)	(469,331)	(839,127)	(61,462)
Payments to employees	(1,604,758)	(824,608)	(989,204)	(290,636)
Net cash provided by operating activities	<u>565,634</u>	<u>319,600</u>	<u>1,727,113</u>	<u>393,150</u>
Cash flows from noncapital financing activities:				
Payment in lieu of taxes	(184,008)	(36,000)	(180,000)	-
Cash flows from capital and related financing activities:				
Proceeds from capital debt issued	-	2,000,000	-	-
Bond issue costs paid	-	(30,300)	(1,000)	-
Capital contributions	-	-	294,418	(294,418)
Acquisition and construction of capital assets	(226,359)	(142,289)	(319,684)	(36,002)
Principal paid on capital debt	-	(156,000)	(562,000)	-
Interest paid on capital debt	-	(113,805)	(329,618)	-
Other nonoperating revenue/expense	49,902	15,106	21,433	-
Net cash provided (used) by capital and related financing activities	<u>(176,457)</u>	<u>1,572,712</u>	<u>(896,451)</u>	<u>(330,420)</u>
Cash flows from investing activities:				
Interest on investments	3,185	374	329	825
Net increase in cash and cash equivalents	208,354	1,856,686	650,991	63,555
Cash and cash equivalents, January 1	<u>2,378,930</u>	<u>413,102</u>	<u>1,986,843</u>	<u>798,104</u>
Cash and cash equivalents, December 31	<u>\$ 2,587,284</u>	<u>\$ 2,269,788</u>	<u>\$ 2,637,834</u>	<u>\$ 861,659</u>
Unrestricted cash and cash equivalents	\$ 1,724,224	\$ -	\$ 84,544	\$ 861,659
Restricted cash and cash equivalents	<u>863,060</u>	<u>2,269,788</u>	<u>2,553,290</u>	<u>-</u>
Cash and cash equivalents, December 31	<u>\$ 2,587,284</u>	<u>\$ 2,269,788</u>	<u>\$ 2,637,834</u>	<u>\$ 861,659</u>
Reconciliation of operating income to net cash provided by by operating activities:				
Operating income	<u>\$ 89,893</u>	<u>\$ 196,903</u>	<u>\$ 485,048</u>	<u>\$ 373,006</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	508,263	160,665	1,296,310	17,373
(Increase) decrease in assets:				
Accounts receivable	(32,356)	(43,014)	(12,885)	954
Inventories	39,805	(839)	-	-
Prepaid items	(7,320)	(6,359)	(6,905)	-
Increase (decrease) in liabilities:				
Accounts payable	(27,321)	7,604	(29,966)	-
Taxes payable	(433)	3,503	-	-
Compensated absences payable	(10,120)	(1,513)	(4,489)	1,817
Customer deposits	5,223	2,650	-	-
Total adjustments	<u>475,741</u>	<u>122,697</u>	<u>1,242,065</u>	<u>20,144</u>
Net cash provided by operating activities	<u>\$ 565,634</u>	<u>\$ 319,600</u>	<u>\$ 1,727,113</u>	<u>\$ 393,150</u>
Noncash investing, capital and financing activities:				
Capital assets acquired by capital debt	\$ -	\$ -	\$ 1,220,755	\$ -
Capital asset disposals	3,001	1,172	3,007	-
Interest payments added to capital assets	-	-	6,938	-
Bond issue costs paid by capital debt	-	-	56,580	-

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 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.

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

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

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

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

The financial statements report Electric Utility restricted net assets of \$863,060, of which \$238,000 is restricted by enabling legislation; Water Utility restricted net assets of \$2,269,788, of which \$2,269,788 is restricted by enabling legislation; and Wastewater Utility restricted net assets of \$2,553,290, of which \$2,510,434 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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%

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 during the current year was \$117,707 for the Water Utility and \$657,931 for the Wastewater Utility. Of the Wastewater amount, \$6,938 was included as part of the cost of capital assets under construction in connection with the equalization basin and Chauncey Street interceptor sewer project.

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

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 1 day per month. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement at the rate of \$10 for every sick day accumulated. Accumulated sick leave is not paid to employees who resign their position.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 5 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 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 4 days per year. Personal leave does not accumulate from year to year.

Vacation leave is accrued when incurred. No liability is reported for sick and personal leave.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net 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.

7. Change in Accounting Principle

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of GASB 65 resulted in the write-off of bond issuance costs and the effect of adoption of GASB 65 is the reduction of beginning net position by \$95,998 for the Water Utility and \$223,613 for the Wastewater Utility.

II. Detailed Notes on All Funds

A. Deposits and Investments

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, 2012, the deposit balances were \$2,587,284, \$2,269,788, \$2,637,837 and \$861,659 for the Electric, Water, Wastewater and Stormwater 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.

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2012, 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	<u>1,981</u>	<u>-</u>	<u>-</u>	<u>1,981</u>
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	81,596	-	1,647,910
Improvements other than buildings	9,624,700	14,935	2,028	9,637,607
Machinery and equipment	<u>1,889,751</u>	<u>129,828</u>	<u>973</u>	<u>2,018,606</u>
Totals	<u>13,080,765</u>	<u>226,359</u>	<u>3,001</u>	<u>13,304,123</u>
Less accumulated depreciation for:				
Buildings	1,146,147	54,821	-	1,200,968
Improvements other than buildings	6,606,703	346,979	2,028	6,951,654
Machinery and equipment	<u>1,311,605</u>	<u>106,463</u>	<u>973</u>	<u>1,417,095</u>
Totals	<u>9,064,455</u>	<u>508,263</u>	<u>3,001</u>	<u>9,569,717</u>
Total capital assets, being depreciated, net	<u>4,016,310</u>	<u>(281,904)</u>	<u>-</u>	<u>3,734,406</u>
Total capital assets, net	<u>\$ 4,241,864</u>	<u>\$ (281,904)</u>	<u>\$ -</u>	<u>\$ 3,959,960</u>
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 7,654	\$ -	\$ -	\$ 7,654
Construction in progress	<u>14,378</u>	<u>98,852</u>	<u>7,456</u>	<u>105,774</u>
Total capital assets, not being depreciated	<u>22,032</u>	<u>98,852</u>	<u>7,456</u>	<u>113,428</u>
Capital assets, being depreciated:				
Buildings	1,591,141	-	-	1,591,141
Improvements other than buildings	6,545,674	24,387	-	6,570,061
Machinery and equipment	<u>635,696</u>	<u>26,506</u>	<u>1,172</u>	<u>661,030</u>
Totals	<u>8,772,511</u>	<u>50,893</u>	<u>1,172</u>	<u>8,822,232</u>
Less accumulated depreciation for:				
Buildings	538,606	24,005	-	562,611
Improvements other than buildings	1,666,944	95,242	-	1,762,186
Machinery and equipment	<u>235,577</u>	<u>41,418</u>	<u>1,172</u>	<u>275,823</u>
Totals	<u>2,441,127</u>	<u>160,665</u>	<u>1,172</u>	<u>2,600,620</u>
Total capital assets, being depreciated, net	<u>6,331,384</u>	<u>(109,772)</u>	<u>-</u>	<u>6,221,612</u>
Total capital assets, net	<u>\$ 6,353,416</u>	<u>\$ (10,920)</u>	<u>\$ 7,456</u>	<u>\$ 6,335,040</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>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 23,396	\$ -	\$ -	\$ 23,396
Construction in progress	<u>8,592,483</u>	<u>1,390,113</u>	<u>162,420</u>	<u>9,820,176</u>
Total capital assets, not being depreciated	<u>8,615,879</u>	<u>1,390,113</u>	<u>162,420</u>	<u>9,843,572</u>
Capital assets, being depreciated:				
Buildings	7,648,951	-	-	7,648,951
Improvements other than buildings	19,393,325	276,200	-	19,669,525
Machinery and equipment	<u>8,397,449</u>	<u>43,484</u>	<u>3,007</u>	<u>8,437,926</u>
Totals	<u>35,439,725</u>	<u>319,684</u>	<u>3,007</u>	<u>35,756,402</u>
Less accumulated depreciation for:				
Buildings	1,227,943	191,224	-	1,419,167
Improvements other than buildings	4,956,132	469,926	-	5,426,058
Machinery and equipment	<u>2,027,671</u>	<u>635,160</u>	<u>3,007</u>	<u>2,659,824</u>
Totals	<u>8,211,746</u>	<u>1,296,310</u>	<u>3,007</u>	<u>9,505,049</u>
Total capital assets, being depreciated, net	<u>27,227,979</u>	<u>(976,626)</u>	<u>-</u>	<u>26,251,353</u>
Total capital assets, net	<u>\$35,843,858</u>	<u>\$ 413,487</u>	<u>\$ 162,420</u>	<u>\$36,094,925</u>
Storm Water Utility:				
Improvements other than buildings	\$ 240,763	\$ 36,002	\$ -	\$ 276,765
Machinery and equipment	<u>69,166</u>	<u>-</u>	<u>-</u>	<u>69,166</u>
Totals	<u>309,929</u>	<u>36,002</u>	<u>-</u>	<u>345,931</u>
Less accumulated depreciation for:				
Improvements other than buildings	-	12,038	-	12,038
Machinery and equipment	<u>-</u>	<u>5,335</u>	<u>-</u>	<u>5,335</u>
Totals	<u>-</u>	<u>17,373</u>	<u>-</u>	<u>17,373</u>
Total capital assets, net	<u>\$ 309,929</u>	<u>\$ 18,629</u>	<u>\$ -</u>	<u>\$ 328,558</u>

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

	<u>2012</u>
Electric	\$ 508,263
Water	160,665
Wastewater	1,296,310
Stormwater	<u>17,373</u>
Total depreciation expense	<u>\$ 1,982,611</u>

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

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2012	Committed
Water Utility:			
Main improvements	\$ 14,378	\$ 14,378	\$ -
Line Street	<u>166,396</u>	<u>91,396</u>	<u>75,000</u>
Total Water Utility	<u>\$ 180,774</u>	<u>\$ 105,774</u>	<u>\$ 75,000</u>
Wastewater Utility:			
Chauncey Street interceptor sewer	\$9,373,902	\$ 9,373,902	\$ -
Lift station modification	56,020	56,020	-
Miscellaneous plant improvements	<u>450,621</u>	<u>390,254</u>	<u>60,367</u>
Total Wastewater Utility	<u>\$9,880,543</u>	<u>\$ 9,820,176</u>	<u>\$ 60,367</u>

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	Less: Unamortized Bond Discount	Less: Deferral on Refunding	Amount
2004 Waterworks refunding	4.7%	\$ 1,024,000	\$ -	\$ 29,252	\$ 994,748
2006 Waterworks north pressure booster station	4.5%	1,339,000	6,933	-	1,332,067
2012 Waterworks revenue bonds	1.01% - 3.28%	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>2,000,000</u>
Totals Water Utility		<u>\$ 4,363,000</u>	<u>\$ 6,933</u>	<u>\$ 29,252</u>	<u>\$ 4,326,815</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility	
	Principal	Interest
2013	\$ 265,000	\$ 145,981
2014	279,000	148,349
2015	291,000	138,749
2016	304,000	128,421
2017	317,000	117,353
2018-2022	1,650,000	397,751
2023-2027	<u>1,257,000</u>	<u>119,982</u>
Totals	<u>\$ 4,363,000</u>	<u>\$ 1,196,586</u>

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

2. Loans Payable

The Wastewater Utility has entered into loans. Annual debt service requirements for the loans, including interest of \$5,716,758 are as follows:

	Wastewater Utility	
	Principal	Interest
2013	\$ 1,159,000	\$ 658,630
2014	1,194,000	623,747
2015	1,229,000	587,821
2016	1,266,000	550,822
2017	1,305,000	512,683
2018-2022	7,138,000	1,949,504
2023-2027	7,717,000	806,169
2028-2032	1,619,000	27,382
Totals	\$ 22,627,000	\$5,716,758

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ 2,519,000	\$2,000,000	\$ 156,000	\$ 4,363,000	\$ 265,000
Wastewater Utility:					
SRF loan payable #1	\$13,424,000	\$ -	\$ 354,000	\$13,070,000	\$ 724,000
SRF loan payable #2	5,159,665	577,335	142,000	5,595,000	290,000
SRF loan payable #3	3,328,000	-	57,000	3,271,000	115,000
SRF loan payable #4	-	700,000	9,000	691,000	30,000
Total loans payable	\$21,911,665	\$1,277,335	\$ 562,000	\$22,627,000	\$1,159,000

E. Restricted Assets

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

	Electric Utility	Water Utility	Wastewater Utility
Depreciation	\$ 180,705	\$ -	\$ 22,766
Bond and interest	-	76,299	919,319
Debt service reserve	-	273,789	1,568,349
Customer deposits	238,000	43,890	-
Cash reserve	444,355	-	42,856
Construction	-	1,875,810	-
Total restricted assets	\$ 863,060	\$ 2,269,788	\$ 2,553,290

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

F. 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, 2006, and 2012. Proceeds from the bonds provided financing for water works improvements. The bonds are payable solely from net operating revenues and are payable through 2027. Annual principal and interest payments are expected to require less than 23 percent of operating 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, 2010, and 2012. Proceeds from the bonds provided financing for wastewater improvement projects. The bonds are payable solely from net operating revenues and are payable through 2032. Annual principal and interest payments are expected to require less than 40 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 (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 Group Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$55,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. 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 20 years of service and is 55 years of age. Three employees are currently participating in the plan, and these benefits could not be determined.

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

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on August 1, 2012. The Utility has 3,758 customers.

2. Wastewater Utility

The current rate structure was approved by the City Council on December 9, 2009. The Utility has 3,767 customers.

3. Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 30, 2010. The Utility has 4,666 customers.

4. Storm Water Utility

The current rate structure was approved by the City Council on December 9, 2009. The Utility has 3,598 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

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

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 \$182,919 at December 31, 2012. For financial statement presentation, this overdrawn amount was offset from cash balances in Water Construction (\$99,899), Water Depreciation (\$82,332), and Water Cash Reserve (\$688). A similar comment appeared in prior Report B40360.

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
EXIT CONFERENCE

The contents of this report were discussed on May 1, 2013, with Rosie M. Coyle, Clerk-Treasurer; Ryan L. Daniel, Mayor; and Daniel L. Weigold, President of the Common Council. The officials concurred with our examination finding.