

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

CITY OF COLUMBIA CITY MUNICIPAL UTILITIES

WHITLEY COUNTY, INDIANA

January 1, 2013 to December 31, 2014



FILED

04/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosie M. Coyle	01-01-12 to 12-31-19
Mayor	Ryan L. Daniel	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Ryan L. Daniel	01-01-12 to 12-31-15
President Pro Tempore of the Common Council	Daniel L. Weigold	01-01-13 to 12-31-15
Superintendent of Water Utility	Michael D. Dear Michael J. Shoda	01-01-13 to 04-06-14 04-07-14 to 12-31-15
Superintendent of Wastewater Utility	Michel C. Cook	01-01-13 to 12-31-15
Superintendent of Electric Utility	Larry G. Whetstone Shawn E. Lickey	01-01-13 to 05-31-13 06-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the business-type activities of the City of Columbia City Municipal Utilities (Utilities), departments of the City of Columbia City, as of and for the years ended December 31, 2013 and 2014. The financial statements are the responsibility of the Utilities' management. Our responsibility is to express opinions on the financial statements 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 opinions.

As discussed in Note I, the financial statements of the Utilities, departments of the City of Columbia City, are intended to present the financial position, the changes in financial position, and where applicable, 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 Columbia City as of December 31, 2013 and 2014, the changes in its financial position, or, where applicable, its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are 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 Columbia City, as of December 31, 2013, and 2014, and the respective changes in financial position and cash flows, thereof for the years 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 opinions on the basic financial statements are not affected by this missing information.

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

December 17, 2015

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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 COLUMBIA CITY MUNICIPAL UTILITIES
STATEMENT OF NET POSITION
December 31, 2013

<u>Assets</u>	Electric Utility	Water Utility	Wastewater Utility	Storm Water Utility
Current assets:				
Cash and cash equivalents	\$ 2,052,503	\$ 15,021	\$ -	\$ 843,461
Accounts receivable	979,355	180,205	331,809	83,084
Inventories	612,220	196,523	-	-
Prepaid items	75,696	14,946	22,506	-
Total current assets	3,719,774	406,695	354,315	926,545
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation	163,355	-	-	-
Improvement	-	19,768	-	-
Bond and interest	-	104,538	952,827	-
Debt service reserve	-	307,455	1,628,466	-
Customer deposits	243,365	44,470	-	-
Construction	-	1,333,558	-	-
Cash reserve	564,355	16,188	14,527	-
Due from Blue Medical Group USDA loan	103,133	-	-	-
Total restricted assets	1,074,208	1,825,977	2,595,820	-
Capital assets:				
Capital assets	13,586,478	9,067,621	45,758,809	348,038
Accumulated depreciation	(10,007,044)	(2,718,265)	(10,812,630)	(29,480)
Construction in progress	-	436,236	-	198,170
Land held for resale	1,981	-	-	-
Total capital assets	3,581,415	6,785,592	34,946,179	516,728
Total noncurrent assets	4,655,623	8,611,569	37,541,999	516,728
Total assets	8,375,397	9,018,264	37,896,314	1,443,273
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	641,154	408	19,879	1,300
Taxes payable	44,163	10,910	-	-
Compensated absences	56,057	29,736	28,648	10,864
Current liabilities payable from restricted assets:				
Customer deposits	243,365	44,470	-	-
Revenue bonds payable	-	279,000	-	-
Loans payable	-	-	1,194,000	-
Accrued interest payable	-	32,713	316,302	-
Total current liabilities	984,739	397,237	1,558,829	12,164
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discount and deferred loss on advance refunding)	-	3,786,951	-	-
Loans payable	103,133	-	20,274,000	-
Total noncurrent liabilities	103,133	3,786,951	20,274,000	-
Total liabilities	1,087,872	4,184,188	21,832,829	12,164
<u>Net position</u>				
Net investment in capital assets	3,581,415	2,719,641	13,478,179	516,728
Restricted for debt service	-	379,280	2,264,991	-
Restricted for other purposes	727,710	1,369,514	14,527	-
Unrestricted	2,978,400	365,641	305,788	914,381
Total net position	\$ 7,287,525	\$ 4,834,076	\$ 16,063,485	\$ 1,431,109

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

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

<u>Assets</u>	<u>Electric Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Storm Water Utility</u>
Current assets:				
Cash and cash equivalents	\$ 1,833,705	\$ 94,657	\$ (135,482)	\$ 327,157
Accounts receivable	1,092,760	177,046	367,460	75,060
Inventories	580,851	123,057	-	-
Prepaid items	69,670	18,698	26,454	-
Total current assets	<u>3,576,986</u>	<u>413,458</u>	<u>258,432</u>	<u>402,217</u>
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation	307,658	-	-	-
Improvement	-	62,732	-	-
Bond and interest	-	103,338	980,924	-
Debt service reserve	-	341,122	1,688,584	-
Customer deposits	245,830	46,015	-	-
Construction	-	708,091	-	-
Cash reserve	385,390	40,188	-	-
Due from Storm Water Utility	439,648	-	-	-
Due from Blue Medical Group USDA loan	93,596	-	-	-
Total restricted assets	<u>1,472,122</u>	<u>1,301,486</u>	<u>2,669,508</u>	<u>-</u>
Capital assets:				
Capital assets	13,716,263	9,854,075	45,930,218	403,826
Accumulated depreciation	(10,480,118)	(2,886,237)	(12,393,855)	(41,744)
Construction in progress	122,651	331,852	26,000	1,287,145
Land held for resale	1,981	-	-	-
Total capital assets	<u>3,360,777</u>	<u>7,299,690</u>	<u>33,562,363</u>	<u>1,649,227</u>
Total noncurrent assets	<u>4,832,899</u>	<u>8,601,176</u>	<u>36,231,871</u>	<u>1,649,227</u>
Total assets	<u>8,409,885</u>	<u>9,014,634</u>	<u>36,490,303</u>	<u>2,051,444</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	637,585	12,675	69,792	2,560
Taxes payable	54,444	9,109	-	-
Compensated absences	40,710	18,854	26,183	7,030
Due to Electric Utility	-	-	-	62,478
Current liabilities payable from restricted assets:				
Customer deposits	245,830	46,015	-	-
Revenue bonds payable	-	291,000	-	-
Loans payable	-	-	1,229,000	-
Accrued interest payable	-	28,514	298,467	366
Total current liabilities	<u>978,569</u>	<u>406,167</u>	<u>1,623,442</u>	<u>72,434</u>
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discount and deferred loss on advance refunding)	-	3,500,086	-	-
Loans payable	92,729	-	19,045,000	-
Due to Electric Utility	-	-	-	377,170
Total noncurrent liabilities	<u>92,729</u>	<u>3,500,086</u>	<u>19,045,000</u>	<u>377,170</u>
Total liabilities	<u>1,071,298</u>	<u>3,906,253</u>	<u>20,668,442</u>	<u>449,604</u>
<u>Net position</u>				
Net investment in capital assets	3,360,777	3,508,604	13,288,363	1,649,227
Restricted for debt service	867	415,946	2,371,041	-
Restricted for other purposes	1,132,696	811,011	-	-
Unrestricted	2,844,247	372,820	162,457	(47,387)
Total net position	<u>\$ 7,338,587</u>	<u>\$ 5,108,381</u>	<u>\$ 15,821,861</u>	<u>\$ 1,601,840</u>

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, 2013

	Electric Utility	Water Utility	Wastewater Utility	Storm Water Utility
Operating Revenues:				
Residential sales	\$ 3,973,502	\$ 750,221	\$ -	\$ -
Commercial sales	2,206,469	352,861	-	-
Industrial sales	3,837,936	198,433	-	-
Municipal sales	132,154	-	-	-
Other sales	-	69,039	-	-
Security lights	40,768	-	-	-
Street lights	42,541	-	-	-
Franchises	33,891	-	-	-
Public fire protection	-	375,327	-	-
Private fire protection	-	105,791	-	-
Residential, commercial and industrial sales	-	-	3,511,036	738,128
Penalties	38,226	7,856	45,309	9,059
Permits	-	-	-	50
Other	95,608	85,293	14,112	19
Total operating revenues	10,401,095	1,944,821	3,570,457	747,256
Operating expenses:				
Water treatment	-	203,602	-	-
Purchased power	7,474,425	-	-	-
Distribution	665,150	-	-	-
Transmission and distribution	-	326,570	-	-
Sewer maintenance	-	-	92,125	-
Plant maintenance	-	-	545,998	-
Lift station expense	-	-	367,904	-
Collection expense	-	-	37,108	-
Storm water maintenance	-	-	-	64,083
Customer accounts	85,065	57,798	-	-
Administration and general	1,515,552	560,166	642,585	206,778
Depreciation	507,515	164,848	1,344,760	12,107
Total operating expenses	10,247,707	1,312,984	3,030,480	282,968
Operating income	153,388	631,837	539,977	464,288
Nonoperating revenues (expenses):				
Interest income	2,987	1,067	10	503
Rental income	40,176	-	-	-
Tap fees	-	-	15,036	-
Sale of assets	1,605	-	-	-
Other non-operating revenue	2,024	4,905	813	-
Interest expense	-	(150,043)	(641,324)	-
Amortization expense	-	(4,135)	-	-
Bond issue costs	-	(30,000)	-	-
Payment in lieu of taxes	(120,000)	(60,000)	(252,000)	-
Total nonoperating revenues (expenses)	(73,208)	(238,206)	(877,465)	503
Income (loss) before contributions	80,180	393,631	(337,488)	464,791
Contributions from Storm Water Utility	-	-	294,418	-
Contributions to Wastewater Utility	-	-	-	(294,418)
Change in net position	80,180	393,631	(43,070)	170,373
Total net position - beginning of year, as restated	7,207,345	4,440,445	16,106,555	1,260,736
Total net position - ending	\$ 7,287,525	\$ 4,834,076	\$ 16,063,485	\$ 1,431,109

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, 2014

	Electric Utility	Water Utility	Wastewater Utility	Storm Water Utility
Operating Revenues:				
Residential sales	\$ 4,285,389	\$ 757,649	\$ -	\$ -
Commercial sales	2,299,598	343,331	-	-
Industrial sales	3,975,854	212,575	-	-
Municipal sales	151,411	-	-	-
Other sales	-	72,815	-	-
Security lights	40,622	-	-	-
Street lights	42,668	-	-	-
Franchises	34,625	-	-	-
Public fire protection	-	369,227	-	-
Private fire protection	-	100,328	-	-
Residential, commercial and industrial sales	-	-	3,567,911	745,631
Penalties	41,592	7,906	47,670	8,848
Permits	-	-	-	50
Other	100,454	71,556	19,144	41
Total operating revenues	10,972,213	1,935,387	3,634,725	754,570
Operating expenses:				
Water treatment	-	215,407	-	-
Purchased power	7,850,912	-	-	-
Distribution	652,608	-	-	-
Transmission and distribution	-	426,784	-	-
Sewer maintenance	-	-	61,499	-
Plant maintenance	-	-	614,860	-
Lift station expense	-	-	407,529	-
Collection expense	-	-	27,226	-
Storm water maintenance	-	-	-	60,559
Customer accounts	93,080	63,680	-	-
Administration and general	1,750,641	614,610	676,483	218,819
Depreciation	512,950	169,547	1,581,923	12,264
Total operating expenses	10,860,191	1,490,028	3,369,520	291,642
Operating income	112,022	445,359	265,205	462,928
Nonoperating revenues (expenses):				
Interest income	5,874	1,385	4,657	378
Rental income	44,783	-	-	-
Tap fees	-	-	35,404	-
Other non-operating revenue	8,383	11,691	16,605	2,893
Interest expense	-	(119,994)	(605,913)	(1,050)
Amortization expense	-	(4,135)	-	-
Bond issue costs	-	-	-	-
Payment in lieu of taxes	(120,000)	(60,000)	(252,000)	-
Total nonoperating revenues (expenses)	(60,960)	(171,053)	(801,247)	2,221
Income (loss) before contributions	51,062	274,306	(536,042)	465,149
Contributions from Storm Water	-	-	294,418	-
Contributions to Wastewater Utility	-	-	-	(294,418)
Change in net position	51,062	274,306	(241,624)	170,731
Total net position - beginning	7,287,525	4,834,076	16,063,485	1,431,109
Total net position - ending	\$ 7,338,587	\$ 5,108,382	\$ 15,821,861	\$ 1,601,840

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, 2013

	Electric Utility	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 10,289,419	\$ 1,843,009	\$ 3,573,709	\$ 745,862
Payments to suppliers and contractors	(8,163,979)	(485,605)	(680,055)	(69,401)
Payments to employees	(1,486,968)	(675,787)	(985,595)	(200,467)
Net cash provided by operating activities	<u>638,472</u>	<u>681,617</u>	<u>1,908,059</u>	<u>475,994</u>
Cash flows from noncapital financing activities:				
Payment in lieu of taxes	<u>(120,000)</u>	<u>(60,000)</u>	<u>(252,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Capital contributions from Storm Water to Wastewater	-	-	294,418	(294,418)
Acquisition and construction of capital assets	(128,970)	(615,399)	(196,014)	(200,277)
Principal paid on capital debt	-	(265,000)	(1,159,000)	-
Interest paid on capital debt	-	(145,981)	(653,336)	-
Other non-operating revenue/expense	43,805	(25,095)	15,849	-
Net cash used by capital and related financing activities	<u>(85,165)</u>	<u>(1,051,475)</u>	<u>(1,698,083)</u>	<u>(494,695)</u>
Cash flows from investing activities:				
Interest on investments	<u>2,987</u>	<u>1,067</u>	<u>10</u>	<u>503</u>
Net increase (decrease) in cash and cash equivalents	436,294	(428,791)	(42,014)	(18,198)
Cash and cash equivalents, January 1	<u>2,587,284</u>	<u>2,269,788</u>	<u>2,637,834</u>	<u>861,659</u>
Cash and cash equivalents, December 31	<u>\$ 3,023,578</u>	<u>\$ 1,840,997</u>	<u>\$ 2,595,820</u>	<u>\$ 843,461</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 153,388	\$ 631,837	\$ 539,977	\$ 464,288
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	507,515	164,848	1,344,760	12,107
(Increase) decrease in assets:				
Accounts receivable	(20,848)	(7,943)	(3,410)	(1,394)
Inventories	(71,024)	(99,222)	-	-
Prepaid expenses	(19,804)	5,353	6,662	-
Increase (decrease) in liabilities:				
Accounts payable	82,670	(16,400)	18,089	1,300
Taxes payable	4,587	3,245	-	-
Compensated absence payable	(3,377)	(681)	1,981	(307)
Customer deposits	5,365	580	-	-
Total adjustments	<u>485,084</u>	<u>49,780</u>	<u>1,368,082</u>	<u>11,706</u>
Net cash provided by operating activities	<u>\$ 638,472</u>	<u>\$ 681,617</u>	<u>\$ 1,908,059</u>	<u>\$ 475,994</u>
Noncash investing, capital and financing activities:				
Capital asset disposals	\$ 70,188	\$ 47,203	\$ 37,179	\$ -

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, 2014

	Electric Utility	Water Utility	Wastewater Utility	Storm Water Utility
Cash flows from operating activities:				
Receipts from customers and users	\$ 10,896,203	\$ 2,008,260	\$ 3,595,126	\$ 762,594
Payments to suppliers and contractors	(8,715,602)	(549,237)	(724,868)	(72,600)
Payments to employees	(1,637,809)	(770,115)	(1,015,281)	(209,352)
Net cash provided by operating activities	<u>542,792</u>	<u>688,908</u>	<u>1,854,977</u>	<u>480,642</u>
Cash flows from noncapital financing activities:				
Payment in lieu of taxes	(120,000)	(60,000)	(252,000)	-
Loan from Electric Utility to Storm Water Utility	(450,000)	-	-	450,000
Principal paid on Electric Utility loan from Storm Water Utility	10,353	-	-	(10,353)
Interest paid on Electric Utility loan from Storm Water Utility	683	-	-	(683)
Payment to Rural Development on behalf of Blue Medical	(868)	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(559,832)</u>	<u>(60,000)</u>	<u>(252,000)</u>	<u>438,964</u>
Cash flows from capital and related financing activities:				
Capital contributions from Storm Water Utility to Wastewater Utility	-	-	294,418	(294,418)
Acquisition and construction of capital assets	(292,312)	(683,645)	(198,108)	(1,144,763)
Principal paid on capital debt	-	(279,000)	(1,194,000)	-
Interest paid on capital debt	-	(124,193)	(623,747)	-
Other non-operating revenue/expense	52,483	11,691	52,009	2,893
Net cash used by capital and related financing activities	<u>(239,829)</u>	<u>(1,075,147)</u>	<u>(1,669,428)</u>	<u>(1,436,288)</u>
Cash flows from investing activities:				
Interest on investments	5,874	1,385	4,657	378
Net increase in cash and cash equivalents	(250,995)	(444,854)	(61,794)	(516,304)
Cash and cash equivalents, January 1	3,023,578	1,840,997	2,595,820	843,461
Cash and cash equivalents, December 31	<u>\$ 2,772,583</u>	<u>\$ 1,396,143</u>	<u>\$ 2,534,026</u>	<u>\$ 327,157</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 112,022	\$ 445,359	\$ 265,205	\$ 462,928
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	512,950	169,547	1,581,923	12,264
(Increase) decrease in assets:				
Accounts receivable	(113,405)	3,159	(35,651)	8,024
Inventories	31,369	73,466	-	-
Prepaid expenses	6,026	(3,752)	(3,948)	-
Increase (decrease) in liabilities:				
Accounts payable	(3,569)	12,267	49,913	1,260
Taxes payable	10,281	(1,801)	-	-
Compensated absence payable	(15,347)	(10,882)	(2,465)	(3,834)
Customer deposits	2,465	1,545	-	-
Total adjustments	<u>430,770</u>	<u>243,549</u>	<u>1,589,772</u>	<u>17,714</u>
Net cash provided by operating activities	<u>\$ 542,792</u>	<u>\$ 688,908</u>	<u>\$ 1,854,977</u>	<u>\$ 480,642</u>
Noncash investing, capital and financing activities:				
Capital asset disposals	\$ 39,876	\$ 1,575	\$ 699	\$ -

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 2013 and 2014 financial statements report Electric Utility restricted net assets of \$727,710 and \$1,133,563, respectively, of which \$867 in 2014 are restricted by enabling legislation; Water Utility restricted net assets of \$1,748,794, and \$1,226,957, respectively, of which \$379,280 and \$415,946; respectively, are restricted by enabling legislation; and Wastewater Utility restricted net assets of \$2,279,518 and \$2,371,041, respectively, of which \$2,264,991 and \$2,371,041, respectively, 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
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.

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 one day per month. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is paid to employees through cash payments upon retirement at the rate of \$10 for every sick day accumulated. Accumulated sick leave is not paid to employees who resign their position.
- b. Vacation Leave - Utility employees earn vacation leave at rates from five days to twenty-five days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of two years' vacation earnings. Accumulated vacation leave is paid to employees through cash payments upon termination.
- c. Personal Leave - Utility employees earn personal leave at the rate of four days per year. Personal leave does not accumulate from year to year.

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

6. Long-Term Obligations

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

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository 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, 2013 and 2014, the deposit balances were \$3,023,578 and \$2,772,583, \$1,840,997 and \$1,396,143, \$2,595,820 and \$2,534,026, and \$843,461 and \$327,157 for the Electric, Water, Wastewater, and Storm Water 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. Loans Receivable

The Electric Utility loaned \$450,000 to the Storm Water Utility in 2014 and \$439,648 is still outstanding at December 31, 2014.

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

C. Capital Assets

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

	Balance 01-01-13	Increases	Decreases	Balance 12-31-13
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	1,620,924	-	-	1,620,924
Infrastructure	8,730	-	-	8,730
Improvements other than buildings	9,655,383	50,870	21,318	9,684,935
Machinery and equipment	<u>2,019,086</u>	<u>78,100</u>	<u>48,870</u>	<u>2,048,316</u>
Totals	<u>13,304,123</u>	<u>128,970</u>	<u>70,188</u>	<u>13,362,905</u>
Less accumulated depreciation for:				
Buildings	1,200,968	56,732	-	1,257,700
Infrastructure	306	305	-	611
Improvements other than buildings	6,951,348	337,690	21,318	7,267,720
Machinery and equipment	<u>1,417,095</u>	<u>112,788</u>	<u>48,870</u>	<u>1,481,013</u>
Totals	<u>9,569,717</u>	<u>507,515</u>	<u>70,188</u>	<u>10,007,044</u>
Total capital assets, being depreciated, net	<u>3,734,406</u>	<u>(378,545)</u>	<u>-</u>	<u>3,355,861</u>
Total capital assets, net	<u>\$ 3,959,960</u>	<u>\$ (378,545)</u>	<u>\$ -</u>	<u>\$ 3,581,415</u>
	Balance 01-01-13	Increases	Decreases	Balance 12-31-13
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 7,654	\$ -	\$ -	\$ 7,654
Construction in progress	<u>105,774</u>	<u>522,679</u>	<u>192,217</u>	<u>436,236</u>
Total capital assets, not being depreciated	<u>113,428</u>	<u>522,679</u>	<u>192,217</u>	<u>443,890</u>
Capital assets, being depreciated:				
Buildings	1,594,159	-	251	1,593,908
Infrastructure	153,610	192,217	-	345,827
Improvements other than buildings	6,372,708	14,483	13,139	6,374,052
Machinery and equipment	<u>701,755</u>	<u>78,238</u>	<u>33,813</u>	<u>746,180</u>
Totals	<u>8,822,232</u>	<u>284,938</u>	<u>47,203</u>	<u>9,059,967</u>
Less accumulated depreciation for:				
Buildings	562,611	23,912	251	586,272
Infrastructure	-	3,257	-	3,257
Improvements other than buildings	1,762,186	95,591	13,139	1,844,638
Machinery and equipment	<u>275,823</u>	<u>42,088</u>	<u>33,813</u>	<u>284,098</u>
Totals	<u>2,600,620</u>	<u>164,848</u>	<u>47,203</u>	<u>2,718,265</u>
Total capital assets, being depreciated, net	<u>6,221,612</u>	<u>120,090</u>	<u>-</u>	<u>6,341,702</u>
Total capital assets, net	<u>\$ 6,335,040</u>	<u>\$ 642,769</u>	<u>\$ 192,217</u>	<u>\$ 6,785,592</u>

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

	Balance 01-01-13	Increases	Decreases	Balance 12-31-13
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 23,396	\$ -	\$ -	\$ 23,396
Construction in progress	<u>9,820,176</u>	<u>55,635</u>	<u>9,875,811</u>	<u>-</u>
Total capital assets, not being depreciated	<u>9,843,572</u>	<u>55,635</u>	<u>9,875,811</u>	<u>23,396</u>
Capital assets, being depreciated:				
Buildings	7,648,951	-	-	7,648,951
Infrastructure	6,489,074	7,320	-	6,496,394
Improvements other than buildings	13,180,451	9,971,929	34,922	23,117,458
Machinery and equipment	<u>8,437,926</u>	<u>36,941</u>	<u>2,257</u>	<u>8,472,610</u>
Totals	<u>35,756,402</u>	<u>10,016,190</u>	<u>37,179</u>	<u>45,735,413</u>
Less accumulated depreciation for:				
Buildings	1,419,167	191,223	-	1,610,390
Infrastructure	219	162,227	-	162,446
Improvements other than buildings	5,425,839	353,115	34,922	5,744,032
Machinery and equipment	<u>2,659,824</u>	<u>638,195</u>	<u>2,257</u>	<u>3,295,762</u>
Totals	<u>9,505,049</u>	<u>1,344,760</u>	<u>37,179</u>	<u>10,812,630</u>
Total capital assets, being depreciated, net	<u>26,251,353</u>	<u>8,671,430</u>	<u>-</u>	<u>34,922,783</u>
Total capital assets, net	<u>\$36,094,925</u>	<u>\$ 8,727,065</u>	<u>\$ 9,875,811</u>	<u>\$34,946,179</u>
	Balance 01-01-13	Increases	Decreases	Balance 12-31-13
Storm Water Utility:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 198,170	\$ -	\$ 198,170
Capital assets, being depreciated:				
Infrastructure	272,163	-	-	272,163
Improvements other than buildings	4,602	-	-	4,602
Machinery and equipment	<u>69,166</u>	<u>2,107</u>	<u>-</u>	<u>71,273</u>
Totals	<u>345,931</u>	<u>2,107</u>	<u>-</u>	<u>348,038</u>
Less accumulated depreciation for:				
Infrastructure	12,038	6,804	-	18,842
Improvements other than buildings	-	115	-	115
Machinery and equipment	<u>5,335</u>	<u>5,188</u>	<u>-</u>	<u>10,523</u>
Totals	<u>17,373</u>	<u>12,107</u>	<u>-</u>	<u>29,480</u>
Total capital assets, being depreciated, net	<u>328,558</u>	<u>(10,000)</u>	<u>-</u>	<u>318,558</u>
Total capital assets, net	<u>\$ 328,558</u>	<u>\$ 188,170</u>	<u>\$ -</u>	<u>\$ 516,728</u>

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

	Balance 01-01-14	Increases	Decreases	Balance 12-31-14
Electric Utility:				
Capital assets, not being depreciated:				
Land	\$ 223,573	\$ -	\$ -	\$ 223,573
Construction in progress	-	122,651	-	122,651
Land held for resale	1,981	-	-	1,981
	<u>225,554</u>	<u>122,651</u>	<u>-</u>	<u>348,205</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	1,620,924	5,875	-	1,626,799
Infrastructure	8,730	-	-	8,730
Improvements other than buildings	9,684,935	85,669	19,410	9,751,194
Machinery and equipment	2,048,316	78,117	20,466	2,105,967
	<u>13,362,905</u>	<u>169,661</u>	<u>39,876</u>	<u>13,492,690</u>
Totals				
Less accumulated depreciation for:				
Buildings	1,257,700	56,733	-	1,314,433
Infrastructure	611	305	-	916
Improvements other than buildings	7,267,720	338,519	19,410	7,586,829
Machinery and equipment	1,481,013	117,393	20,466	1,577,940
	<u>10,007,044</u>	<u>512,950</u>	<u>39,876</u>	<u>10,480,118</u>
Totals				
Total capital assets, being depreciated, net	<u>3,355,861</u>	<u>(343,289)</u>	<u>-</u>	<u>3,012,572</u>
Total capital assets, net	<u>\$ 3,581,415</u>	<u>\$ (220,638)</u>	<u>\$ -</u>	<u>\$ 3,360,777</u>
	Balance 01-01-14	Increases	Decreases	Balance 12-31-14
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 7,654	\$ -	\$ -	\$ 7,654
Construction in progress	436,236	491,492	595,876	331,852
	<u>443,890</u>	<u>491,492</u>	<u>595,876</u>	<u>339,506</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	1,593,908	-	-	1,593,908
Infrastructure	345,827	600,016	-	945,843
Improvements other than buildings	6,374,052	43,459	-	6,417,511
Machinery and equipment	746,180	144,554	1,575	889,159
	<u>9,059,967</u>	<u>788,029</u>	<u>1,575</u>	<u>9,846,421</u>
Totals				
Less accumulated depreciation for:				
Buildings	586,272	23,909	-	610,181
Infrastructure	3,257	5,187	-	8,444
Improvements other than buildings	1,844,638	95,611	-	1,940,249
Machinery and equipment	284,098	44,840	1,575	327,363
	<u>2,718,265</u>	<u>169,547</u>	<u>1,575</u>	<u>2,886,237</u>
Totals				
Total capital assets, being depreciated, net	<u>6,341,702</u>	<u>618,482</u>	<u>-</u>	<u>6,960,184</u>
Total capital assets, net	<u>\$ 6,785,592</u>	<u>\$ 1,109,974</u>	<u>\$ 595,876</u>	<u>\$ 7,299,690</u>

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

	Balance 01-01-14	Increases	Decreases	Balance 12-31-14
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 23,396	\$ -	\$ -	\$ 23,396
Construction in progress	-	26,000	-	26,000
Total capital assets, not being depreciated	23,396	26,000	-	49,396
Capital assets, being depreciated:				
Buildings	7,648,951	-	-	7,648,951
Infrastructure	6,496,394	62,924	-	6,559,318
Improvements other than buildings	23,117,458	82,099	-	23,199,557
Machinery and equipment	8,472,610	27,084	698	8,498,996
Totals	45,735,413	172,107	698	45,906,822
Less accumulated depreciation for:				
Buildings	1,610,390	191,224	-	1,801,614
Infrastructure	162,446	162,410	-	324,856
Improvements other than buildings	5,744,032	589,262	-	6,333,294
Machinery and equipment	3,295,762	639,027	698	3,934,091
Totals	10,812,630	1,581,923	698	12,393,855
Total capital assets, being depreciated, net	34,922,783	(1,409,816)	-	33,512,967
Total capital assets, net	\$34,946,179	\$ (1,383,816)	\$ -	\$33,562,363
	Balance 01-01-14	Increases	Decreases	Balance 12-31-14
Storm Water Utility:				
Capital assets, not being depreciated:				
Construction in progress	\$ 198,170	\$ 1,088,975	\$ -	\$ 1,287,145
Capital assets, being depreciated:				
Infrastructure	272,163	-	-	272,163
Improvements other than buildings	4,602	-	-	4,602
Machinery and equipment	71,273	55,788	-	127,061
Totals	348,038	55,788	-	403,826
Less accumulated depreciation for:				
Infrastructure	18,842	6,804	-	25,646
Improvements other than buildings	115	115	-	230
Machinery and equipment	10,523	5,345	-	15,868
Totals	29,480	12,264	-	41,744
Total capital assets, being depreciated, net	318,558	43,524	-	362,082
Total capital assets, net	\$ 516,728	\$ 1,132,499	\$ -	\$ 1,649,227

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

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

	<u>2013</u>
Electric	\$ 507,515
Water	164,848
Wastewater	1,344,760
Storm Water	<u>12,107</u>
 Total depreciation expense	 <u><u>\$ 2,029,230</u></u>
	 <u>2014</u>
Electric	\$ 512,950
Water	169,547
Wastewater	1,581,923
Storm Water	<u>12,264</u>
 Total depreciation expense	 <u><u>\$ 2,276,684</u></u>

D. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2013</u>	<u>Committed</u>
Water Utility:			
Main improvements	\$ 14,378	\$ 14,378	\$ -
Line Street	91,382	91,382	-
North Elm Street	95,659	95,659	-
100 South to Eagle Glen	370,500	222,970	147,530
Storage building	<u>232,505</u>	<u>11,847</u>	<u>220,658</u>
 Total Water Utility	 <u><u>\$ 804,424</u></u>	 <u><u>\$ 436,236</u></u>	 <u><u>\$ 368,188</u></u>
Storm Water Utility:			
Drainage Diamond Avenue	\$ 163,959	\$ 77,742	\$ 86,217
Westgate Improvements	42,000	16,050	25,950
Phillips Ditch	<u>104,378</u>	<u>104,378</u>	<u>-</u>
 Total Storm Water Utility	 <u><u>\$ 310,337</u></u>	 <u><u>\$ 198,170</u></u>	 <u><u>\$ 112,167</u></u>

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

Project	Total Project Authorized	Expended to December 31, 2014	Committed
Electric Utility:			
Fiber network	\$ 162,651	\$ 122,651	\$ 40,000
Water Utility:			
Main improvements	\$ 14,378	\$ 14,378	\$ -
Line Street	91,382	91,382	-
Storage building	232,505	198,588	33,917
Holden Road	20,000	18,980	1,020
West Park Drive and Shinneman	20,000	8,524	11,476
Total Water Utility	\$ 378,265	\$ 331,852	\$ 46,413
Wastewater Utility:			
CSO LTCP Phase I	\$ 99,000	\$ 26,000	\$ 73,000
Storm Water Utility:			
Drainage Diamond Avenue	\$ 163,959	\$ 163,959	\$ -
Westgate Improvements	42,000	32,886	9,114
Phillips Ditch	104,378	104,378	-
Vine Street Alley	6,505	6,505	-
Southside Storm Water	979,417	979,417	-
Total Storm Water Utility	\$ 1,296,259	\$ 1,287,145	\$ 9,114

E. Long-Term Liabilities

1. Revenue Bonds

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

Purpose	Interest Rates	Balance at 12-31-13	Less: Unamortized Bond Discount	Less: Deferral on Refunding	Amount
2012 Waterworks revenue bonds	1.38% - 3.28%	\$ 1,899,000	\$ -	\$ -	\$ 1,899,000
2013 Waterworks refunding (2004)	2.9%	931,000	-	25,621	905,379
2013 Waterworks refunding (2006)	3.47643%	1,268,000	6,428	-	1,261,572
Totals Water Utility		\$ 4,098,000	\$ 6,428	\$ 25,621	\$ 4,065,951

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

Purpose	Interest Rates	Balance at 12-31-14	Less: Unamortized Bond Discount	Less: Deferral on Refunding	Amount
2012 Waterworks revenue bonds	1.67% - 3.28%	\$ 1,792,000	\$ -	\$ -	\$ 1,792,000
2013 Waterworks refunding (2004)	2.9%	832,000	-	21,990	810,010
2013 Waterworks refunding (2006)	3.47643%	1,195,000	5,924	-	1,189,076
Totals Water Utility		<u>\$ 3,819,000</u>	<u>\$ 5,924</u>	<u>\$ 21,990</u>	<u>\$ 3,791,086</u>

Revenue bonds debt service requirements to maturity are as follows:

	Water Utility	
	Principal	Interest
2015	\$ 291,000	\$ 112,195
2016	304,000	104,537
2017	317,000	96,280
2018	329,000	87,475
2019	342,000	78,148
2020-2024	1,503,000	242,930
2025-2027	<u>733,000</u>	<u>38,851</u>
Totals	<u>\$ 3,819,000</u>	<u>\$ 760,416</u>

2. Loans Payable

The Wastewater Utility has entered into loans. Annual debt service requirements for the loans, including interest of \$4,434,380 are as follows:

	Wastewater Utility	
	Principal	Interest
2015	\$ 1,229,000	\$ 587,821
2015	1,266,000	550,822
2017	1,305,000	512,683
2018	1,344,000	473,371
2019	1,384,000	432,905
2020-2024	7,576,000	1,512,629
2025-2029	6,066,000	360,946
2030-2032	<u>104,000</u>	<u>3,203</u>
Totals	<u>\$ 20,274,000</u>	<u>\$ 4,434,380</u>

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

3. Changes in Long-Term Liabilities

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

	Balance 01-01-13	Additions	Reductions	Balance 12-31-13	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ 4,363,000	\$ -	\$ 265,000	\$ 4,098,000	\$ 279,000
Wastewater Utility:					
SRF loan payable #1	\$ 13,070,000	\$ -	\$ 724,000	\$ 12,346,000	\$ 747,000
SRF loan payable #2	5,595,000	-	290,000	5,305,000	299,000
SRF loan payable #3	3,271,000	-	115,000	3,156,000	118,000
SRF loan payable #4	691,000	-	30,000	661,000	30,000
Total loans payable	<u>\$ 22,627,000</u>	<u>\$ -</u>	<u>\$ 1,159,000</u>	<u>\$ 21,468,000</u>	<u>\$ 1,194,000</u>

	Balance 01-01-14	Additions	Reductions	Balance 12-31-14	Due Within One Year
Water Utility:					
Revenue bonds payable	\$ 4,098,000	\$ -	\$ 279,000	\$ 3,819,000	\$ 291,000
Wastewater Utility:					
SRF loan payable #1	\$ 12,346,000	\$ -	\$ 747,000	\$ 11,599,000	\$ 770,000
SRF loan payable #2	5,305,000	-	299,000	5,006,000	308,000
SRF loan payable #3	3,156,000	-	118,000	3,038,000	121,000
SRF loan payable #4	661,000	-	30,000	631,000	30,000
Total loans payable	<u>\$ 21,468,000</u>	<u>\$ -</u>	<u>\$ 1,194,000</u>	<u>\$ 20,274,000</u>	<u>\$ 1,229,000</u>

F. Restricted Assets

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

	Electric Utility	Water Utility	Wastewater Utility
Depreciation/Improvement	\$ 163,355	\$ 19,768	\$ -
Bond and interest	-	104,538	952,827
Debt service reserve	-	307,455	1,628,466
Customer deposits	243,365	44,470	-
Cash reserve	564,355	16,188	14,527
Due from Blue Medical Group USDA loan	103,133	-	-
Construction	-	1,333,558	-
Total restricted assets	<u>\$ 1,074,208</u>	<u>\$ 1,825,977</u>	<u>\$ 2,595,820</u>

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

	Electric Utility	Water Utility	Wastewater Utility
Depreciation/Improvement	\$ 307,658	\$ 62,732	\$ -
Bond and interest	-	103,338	980,924
Debt service reserve	-	341,122	1,688,584
Customer deposits	245,830	46,015	-
Cash reserve	385,390	40,188	-
Due from Blue Medical Group USDA loan	93,596	-	-
Due from Storm Water Utility	439,648	-	-
Construction	-	708,091	-
	<u> </u>	<u> </u>	<u> </u>
Total restricted assets	<u>\$ 1,472,122</u>	<u>\$ 1,301,486</u>	<u>\$ 2,669,508</u>

G. Restatements and Classifications

The Electric Utility inventories were understated in 2013 due to missed assets of \$27,000. A prior period adjustment is required to include these missed assets.

H. Revenues Pledged

Water Utility Revenues Pledged

The Utility has pledged future operating revenues, net of specified operating expenditures, to repay revenue bonds issued in 2012 and 2013. 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 18 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 38 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.

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

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 the value of these benefits could not be determined.

C. Rate Structure

1. Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on August 1, 2012. On April 23, 2013, the Common Council adopted Ordinance No. 2013-13 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The ordinance became effective June 22, 2013. The Utility has approximately 3,863 customers.

2. Wastewater Utility

The current rate structure was approved by the Common Council on December 9, 2009. The Utility has approximately 3,868 customers.

3. Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on June 30, 2010. On April 23, 2013, the Common Council adopted Ordinance No. 2013-14 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The ordinance became effective June 22, 2013. The Utility has approximately 4,761 customers.

4. Storm Water Utility

The current rate structure was approved by the Common Council on December 9, 2009. The Utility has approximately 3,682 customers.

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

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. 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:

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.

E. Subsequent Events

In May 2015, the Electric Utility received \$1,358,458 in Rural Economic Development loans from the United States Department of Agriculture (USDA) to be passed on to local businesses to further commercial development.

OTHER REPORTS

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