

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2003

CITY OF COLUMBUS

BARTHOLOMEW COUNTY, INDIANA



FILED
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TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	5-6
Basic Financial Statements:	
Fund Financial Statements:	
Statement of Net Assets – Proprietary Funds.....	7
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	8-9
Statement of Cash Flows – Proprietary Funds.....	10
Notes to Financial Statements	11-22
Required Supplementary Information:	
Schedule of Funding Progress	23
Audit Results and Comments:	
Fees	24
Condition of Records	24
Bank Account Reconciliations	24-25
Contracts	25
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	28-29
Schedule of Expenditures of Federal Awards.....	30
Note to Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs.....	32-33
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	34
Corrective Action Plan.....	35-36
Exit Conference.....	37

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	John Baughn Brenda Sullivan	01-01-03 to 12-31-03 01-01-04 to 12-31-07
Mayor	Fred Armstrong	01-01-03 to 12-31-07
President of the Board of Public Works	Fred Armstrong	01-01-03 to 12-31-07
President of the Common Council	George Dutro Martha Myers	01-01-03 to 12-31-03 01-01-04 to 12-31-06
Director of Utilities	Keith Reeves	01-01-03 to 12-31-06
Utility Business Manager	Dale Langferman	01-01-03 to 12-31-06
Airport Manager	Rod Blasdel	01-01-03 to 12-31-06



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CITY OF COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Columbus (City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the third paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

The accounting records for the city were inaccurate and incomplete for the governmental activities, the major governmental funds and the aggregate remaining fund information. The deficiencies included failure to reconcile bank balances to the fund ledger balances, failure to post or to correctly post all receipts and disbursements to the prescribed accounting system and to balance them monthly, and failure to maintain a capital asset ledger. The city's records do not permit the application of other auditing procedures to satisfy ourselves that the account balances are fairly stated. No financial transactions are reflected in this report for the governmental activities, the major governmental funds and the aggregate remaining fund information.

Since the officials of the City of Columbus did not maintain adequate accounting records to audit and did not prepare the appropriate financial statements, the scope of our work was not sufficient to enable us to express and we do not express an opinion on the governmental activities, the major governmental funds and the aggregate remaining fund information of the City of Columbus.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major enterprise fund of the City as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 4, 2006, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

STATE BOARD OF ACCOUNTS

October 4, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

We have audited the financial statements of the City of Columbus (City), as of and for the year ended December 31, 2003, and have issued our report thereon dated October 4, 2006. Since the officials of the City of Columbus did not maintain adequate accounting records and did not prepare appropriate financial statements, the scope of our work was not sufficient to enable us to express and we do not express an opinion on the governmental activities, the major governmental funds and the aggregate remaining fund information of the City of Columbus. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2003-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2003-1.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we consider item 2003-1 and to be material weakness.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 4, 2006

CITY OF COLUMBUS
STATEMENT OF NET ASSETS
ENTERPRISE FUNDS
December 31, 2003

<u>Assets</u>	Business-Type Activities - Enterprise Funds			
	Water Utility	Wastewater Utility	Aviation Commission	Total
Current assets:				
Cash and cash equivalents	\$ 3,925,203	\$ 2,739,559	\$ 588,504	\$ 7,253,266
Interest receivable	4,318	3,223	-	7,541
Accounts receivable (net of allowance)	287,410	353,201	27,123	667,734
Notes receivable	4,950	506	-	5,456
Inventories	199,339	41,108	-	240,447
Prepaid items	73,506	66,670	17,767	157,943
Total current assets	4,494,726	3,204,267	633,394	8,332,387
Noncurrent assets:				
Restricted cash, cash equivalents and investments:				
Depreciation cash and cash equivalents	4,778,089	3,844,269	-	8,622,358
Bond and interest cash and cash equivalents	1,038,403	699,516	-	1,737,919
Customer deposits cash and cash equivalents	73,509	82,135	-	155,644
FAA Grant cash and cash equivalents	-	-	6,224	6,224
Total restricted assets	5,890,001	4,625,920	6,224	10,522,145
Deferred charges	125,269	155,187	-	280,456
Capital assets:				
Land, improvements to land and construction in progress	830,487	1,619,975	2,988,851	5,439,313
Other capital assets (net of accumulated depreciation)	26,894,245	34,139,501	5,891,878	66,925,624
Total capital assets	27,724,732	35,759,476	8,880,729	72,364,937
Total noncurrent assets	33,740,002	40,540,583	8,886,953	83,167,538
Total assets	38,234,728	43,744,850	9,520,347	91,499,925
Liabilities				
Current liabilities:				
Accounts payable	15,324	49,521	22,189	87,034
Accrue payroll and withholdings payable	41,646	44,352	6,863	92,861
Taxes payable	12,329	-	-	12,329
Notes payable	-	72,000	-	72,000
Deferred revenue	-	-	189,972	189,972
Compensated absences	6,428	8,357	-	14,785
Current liabilities payable from restricted assets:				
Customer deposits	73,509	82,135	-	155,644
Loan payable	-	15,000	-	15,000
Leases payable	-	-	4,156	4,156
Revenue bonds payable	1,065,000	645,000	-	1,710,000
Accrued interest payable	106,015	121,647	-	227,662
Contracts payable	-	-	268,726	268,726
Total current liabilities	1,320,251	1,038,012	491,906	2,850,169
Noncurrent liabilities:				
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	5,357,116	5,290,092	-	10,647,208
Notes payable	-	216,000	-	216,000
Loan payable	-	369,717	-	369,717
Total noncurrent liabilities	5,357,116	5,875,809	-	11,232,925
Total liabilities	6,677,367	6,913,821	491,906	14,083,094
Net Assets				
Invested in capital assets, net of related debt	20,982,082	28,648,103	8,876,573	58,506,758
Restricted for depreciation cash and cash equivalents, Bond and interest cash and cash equivalents, customer Deposits cash and cash equivalents	86,594	52,366	6,224	145,184
Unrestricted	10,488,685	8,130,561	145,645	18,764,891
Total net assets	\$ 31,557,361	\$ 36,831,030	\$ 9,028,442	\$ 77,416,833

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

CITY OF COLUMBUS
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
For The Year Ended December 31, 2003

	Water Utility	Wastewater Utility	Aviation Commission	Total
Operating revenues:				
Flat rate revenues	\$ -	\$ 72,626	\$ -	\$ 72,626
Measured revenue:				
Residential	2,159,952	2,396,270	-	4,556,222
Commercial	620,167	719,732	-	1,339,899
Industrial	805,659	961,285	-	1,766,944
Penalties	15,934	49,829	-	65,763
Hydrant rentals/sprinkler systems	651,833	-	-	651,833
Airport operating revenue	-	-	120,060	120,060
Farming revenues	-	-	394,820	394,820
Land rental	-	-	453,231	453,231
Commercial and other building rental	-	-	36,086	36,086
Other	464,637	781,856	1,612	1,248,105
	<u>4,718,182</u>	<u>4,981,598</u>	<u>1,005,809</u>	<u>10,705,589</u>
Total operating revenues				
Operating expenses:				
Source of supply and expense/collection system expense - operations and maintenance				
Salaries and wages	304,376	262,879	-	567,255
Employee pensions and benefits	23,134	19,290	-	42,424
Materials and supplies	8,006	5,490	-	13,496
Other	-	110,004	-	110,004
Pumping expense - operations and maintenance				
Salaries and wages	-	126,075	-	126,075
Employee pensions and benefits	-	9,438	-	9,438
Purchase power	-	55,486	-	55,486
Other	-	38,396	-	38,396
Treatment and disposal expense - operations and maintenance				
Salaries and wages	-	737,021	-	737,021
Employee pensions and benefits	-	55,475	-	55,475
Purchase power	-	145,063	-	145,063
Fuel for power production	-	54,234	-	54,234
Chemicals	-	56,038	-	56,038
Materials and supplies	-	45,139	-	45,139
Contractual services	-	331,852	-	331,852
Other	-	96,050	-	96,050
Water treatment expense - operations and maintenance				
Salaries and wages	397,795	-	-	397,795
Employee pensions and benefits	29,953	-	-	29,953
Chemicals	51,512	-	-	51,512
Materials and supplies	6,849	-	-	6,849
Purchase power	316,079	-	-	316,079
Fuel for power production	11,033	-	-	11,033
Other	55,899	-	-	55,899
Transmission and distribution/pumping expense - operations and maintenance				
Salaries and wages	330,902	-	-	330,902
Employee pensions and benefits	24,393	-	-	24,393
Purchase power	13,945	-	-	13,945
Fuel for power production	6,906	-	-	6,906
Chemicals	6,065	-	-	6,065
Materials and supplies	25,876	-	-	25,876
Other	218,463	-	-	218,463
Customer accounts expense				
Salaries and wages	72,453	50,094	-	122,547
Employee pensions and benefits	5,493	3,789	-	9,282
Materials and supplies	6,835	16,839	-	23,674
Contractual services	34,524	15,391	-	49,915

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

CITY OF COLUMBUS
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
For The Year Ended December 31, 2003
(Continued)

	Water Utility	Wastewater Utility	Aviation Commission	Total
Operating expenses (continued):				
Airport operations				
Materials and supplies	-	-	1,311	1,311
Other services and charges	-	-	21,521	21,521
Farm operations				
Materials and supplies	-	-	49,458	49,458
Other services and charges	-	-	37,581	37,581
Traffic Control Tower				
Materials and supplies	-	-	302	302
Other services and charges	-	-	118,475	118,475
Restaurant operations				
Materials and supplies	-	-	140	140
Other services and charges	-	-	19,141	19,141
Maintenance				
Personal services	-	-	144,349	144,349
Materials and supplies	-	-	21,509	21,509
Other services and charges	-	-	20,091	20,091
Administrative and general expense				
Salaries and wages	168,350	219,598	100,776	488,724
Employee pensions and benefits	238,657	258,762	-	497,419
Materials and supplies	4,303	4,442	9,209	17,954
Contractual services	62,368	35,258	-	97,626
Depreciation and amortization	640,760	883,330	341,241	1,865,331
Other	421,073	366,207	-	787,280
Other services and charges	-	-	126,429	126,429
Properties	-	-	2,539	2,539
 Total operating expenses	 <u>3,486,002</u>	 <u>4,001,640</u>	 <u>1,014,072</u>	 <u>8,501,714</u>
 Operating income (loss)	 <u>1,232,180</u>	 <u>979,958</u>	 <u>(8,263)</u>	 <u>2,203,875</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	126,442	96,830	1,577	224,849
Gain (loss) on sale of assets	(48,297)	(111,310)	2,605	(157,002)
Rent	85,200	90,000	-	175,200
Interest on revenue bonds	(314,988)	(357,158)	(4,300)	(676,446)
Amortization of bond issue costs	(38,421)	(27,794)	-	(66,215)
 Total nonoperating revenue (expenses)	 <u>(190,064)</u>	 <u>(309,432)</u>	 <u>(118)</u>	 <u>(499,614)</u>
 Income (loss) before contributions and transfers	 1,042,116	 670,526	 (8,381)	 1,704,261
 Capital contributions	 <u>207,100</u>	 <u>492,481</u>	 <u>564,533</u>	 <u>1,264,114</u>
 Change in net assets	 1,249,216	 1,163,007	 556,152	 2,968,375
 Total net assets - beginning	 <u>30,308,145</u>	 <u>35,668,023</u>	 <u>8,472,290</u>	 <u>74,448,458</u>
 Total net assets - ending	 <u>\$ 31,557,361</u>	 <u>\$ 36,831,030</u>	 <u>\$ 9,028,442</u>	 <u>\$ 77,416,833</u>

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

CITY OF COLUMBUS
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For The Year Ended December 31, 2003

	Water Utility	Wastewater Utility	Aviation Commission	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 4,249,772	\$ 4,188,623	\$ 983,014	\$ 9,421,409
Payments to suppliers	(1,318,699)	(1,758,547)	(433,545)	(3,510,791)
Payments to employees	(1,735,607)	(1,892,128)	(247,004)	(3,874,739)
Other receipts (payments)	<u>464,637</u>	<u>781,856</u>	<u>-</u>	<u>1,246,493</u>
Net cash provided by operating activities	<u>1,660,103</u>	<u>1,319,804</u>	<u>302,465</u>	<u>3,282,372</u>
Cash flows from noncapital financing activities:				
Other income	<u>85,200</u>	<u>90,000</u>	<u>-</u>	<u>175,200</u>
Cash flows from capital and related financing activities:				
Capital contributions	-	379,391	564,533	943,924
Purchase of capital assets	(384,751)	(645,314)	(691,513)	(1,721,578)
Acquisition and construction of capital assets	(269,354)	(501,896)	-	(771,250)
Principal paid on capital debt	(1,045,000)	(707,000)	(55,931)	(1,807,931)
Interest paid on capital debt	(291,819)	(336,131)	(4,300)	(632,250)
Proceeds from sales of capital assets	<u>(48,297)</u>	<u>-</u>	<u>-</u>	<u>(48,297)</u>
Net cash used by capital and related financing activities	<u>(2,039,221)</u>	<u>(1,810,950)</u>	<u>(187,211)</u>	<u>(4,037,382)</u>
Cash flows from investing activities:				
Interest received	<u>127,014</u>	<u>97,323</u>	<u>1,578</u>	<u>225,915</u>
Net increase (decrease) in cash and cash equivalents	(166,904)	(303,823)	116,832	(353,895)
Cash and cash equivalents, January 1 (Including \$8,979,692, \$1,711,803, \$153,094, and \$83,569 for the depreciation cash and cash equivalents, bond and interest cash and cash equivalents, consumer deposits cash and cash equivalents and construction, respectively, reported in restricted accounts)				
	<u>9,982,106</u>	<u>7,669,302</u>	<u>477,898</u>	<u>18,129,306</u>
Cash and cash equivalents, December 31 (Including \$8,622,358, \$1,737,919, \$155,644, and \$6,224 for the depreciation cash and cash equivalents, bond and interest cash and cash equivalents, customer deposits cash and cash equivalents and construction, and FAA Grant respectively, reported in restricted accounts)				
	<u>\$ 9,815,202</u>	<u>\$ 7,365,479</u>	<u>\$ 594,730</u>	<u>\$ 17,775,411</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	<u>\$ 1,232,180</u>	<u>\$ 979,958</u>	<u>\$ (8,263)</u>	<u>\$ 2,203,875</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	640,760	883,330	341,241	1,865,331
(Increase) decrease in assets:				
Accounts receivable	(1,006)	(12,849)	(5,897)	(19,752)
Notes receivable	(2,797)	1,729	-	(1,068)
Inventories	(20,729)	3,404	-	(17,325)
Prepaid items	(1,856)	(5,221)	(10,024)	(17,101)
Increase (decrease) in liabilities:				
Customer deposits	30	2,520	-	2,550
Accounts payable	(47,560)	(380,840)	4,184	(424,216)
Taxes payable	1,182	-	-	1,182
Accrued wages payable	(132,439)	(143,805)	(1,466)	(277,710)
Deferred revenue	-	-	(16,899)	(16,899)
Compensated absence payable	<u>(7,662)</u>	<u>(8,422)</u>	<u>(411)</u>	<u>(16,495)</u>
Total adjustments	<u>427,923</u>	<u>339,846</u>	<u>310,728</u>	<u>1,078,497</u>
Net cash provided by operating activities	<u>\$ 1,660,103</u>	<u>\$ 1,319,804</u>	<u>\$ 302,465</u>	<u>\$ 3,282,372</u>
Noncash investing, capital and financing activities:				
Contributions of capital assets from developers	\$ 207,100	\$ 113,090	\$ -	\$ -

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

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Columbus (primary government) was established under the laws of the State of Indiana. The primary government operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health, welfare and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment and housing.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

The primary government reports the following major proprietary funds:

The water utility fund accounts for the operation of the primary government's water distribution system.

The wastewater utility fund accounts for the operation of the primary government's wastewater treatment plant, pumping stations and collection systems.

The aviation commission fund accounts for the operation of the city's airport.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial 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 business-type activities and enterprise funds, subject to this same limitation. The primary government 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 and internal service 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.

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

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The primary government'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 primary government 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.

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

2. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivables/payables (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "interfund services provided/used." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the primary government in June and in December. State statutes (IC 6-1.1-17-16) require the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments that become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the primary government prior to December 31 of the year collected. Delinquent property taxes outstanding at year end for governmental and/or proprietary funds, net of allowances for uncollectible accounts, are recorded as a receivable with an offset to deferred revenue since the amounts are not considered available.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

5. Restricted Assets

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

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide 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.

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
	<u>City/Utilities</u>		
Buildings	\$ 3,000/500	Straight-line	20 to 80 years
Improvements other than buildings	3,000/500	Straight-line	10 to 80 years
Machinery and equipment	3,000/500	Straight-line	5 to 20 years
Transportation equipment	3,000/500	Straight-line	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.

7. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 6 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees.

b. Vacation Leave

Employees earn vacation leave at rates from 6 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of ten days. Accumulated vacation leave is paid to employees through cash payments.

c. Personal Leave

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.

8. Long-Term Obligations

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable proprietary fund type 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. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end.

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

On or before August 31, the City Controller submits to the Common Council a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the Common Council to obtain taxpayer comments. In September of each year, the Common Council through the passage of an ordinance approves the budget for the next year. Copies of the budget ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the City Controller receives approval of the Indiana Department of Local Government Finance.

The primary government's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the Common Council. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

Expenditures did not exceed appropriations for any funds or any departments within the General Fund, which required legally, approved budgets.

III. 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, 2003, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 3,462,206	\$ -	\$ -	\$ 3,462,206
Fully depreciated assets	1,058,659	227,225	58,193	1,227,691
Construction in progress	<u>70,862</u>	<u>2,307,639</u>	<u>401,394</u>	<u>1,977,107</u>
 Total capital assets, not being depreciated	 <u>4,591,727</u>	 <u>2,534,864</u>	 <u>459,587</u>	 <u>6,667,004</u>

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities (continued):				
Capital assets, being depreciated:				
Buildings	76,914,782	1,947,765	1,269,717	77,592,830
Improvements other than buildings	10,864,018	8,292	12,477	10,859,833
Machinery and equipment	7,940,886	331,369	349,574	7,922,681
Transportation equipment	947,850	332,780	296,615	984,015
Office equipment, furniture and fixtures	<u>1,084,821</u>	<u>60,401</u>	<u>74,368</u>	<u>1,070,854</u>
Totals	<u>97,752,357</u>	<u>2,680,607</u>	<u>2,002,751</u>	<u>98,430,213</u>
Less accumulated depreciation for:				
Buildings	19,890,224	1,094,549	52,125	20,932,648
Improvements other than buildings	6,361,842	212,355	9,982	6,564,215
Machinery and equipment	3,033,858	402,395	183,310	3,252,943
Transportation equipment	387,372	238,440	286,135	339,677
Office equipment, furniture and fixtures	382,841	53,902	21,637	415,106
Fully depreciated assets	<u>1,058,659</u>	<u>227,225</u>	<u>58,193</u>	<u>1,227,691</u>
Totals	<u>31,114,796</u>	<u>2,228,866</u>	<u>611,382</u>	<u>32,732,280</u>
Total capital assets, being depreciated, net	<u>66,637,561</u>	<u>451,741</u>	<u>1,391,369</u>	<u>65,697,933</u>
Total business-type activities capital assets, net	<u>\$ 71,229,288</u>	<u>\$ 2,986,605</u>	<u>\$ 1,850,956</u>	<u>\$ 72,364,937</u>

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

Business-type activities:	
Water	\$ 640,760
Wastewater	883,330
Aviation	<u>341,241</u>
Total depreciation expense - business-type activities	<u>\$ 1,865,331</u>

C. Construction Commitments

Construction work in progress is composed of the following:

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	Total Project Authorized	Expended to December 31, 2003	Committed	Required Future Funding
Water Utility Project	\$ 1,107,975	\$ 592,964	\$ 515,011	\$ -
Wastewater Utility Project	7,398,590	405,536	6,993,054	-
Airport Improvement Project	2,082,564	978,607	1,103,957	-
Totals	<u>\$ 10,589,129</u>	<u>\$ 1,977,107</u>	<u>\$ 8,612,022</u>	<u>\$ -</u>

D. Leases

Capital Leases

The primary government has entered into a capital lease for a sport utility vehicle. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of December 31, 2003, are as follows:

2004	\$ <u>4,250</u>
Total minimum lease payments	4,250
Less amount representing interest	<u>94</u>
Present value of net minimum lease payments	<u>\$ 4,156</u>

Assets acquired through capital leases still in effect are as follows:

	<u>Business-Type Activities</u>
Transportation equipment	\$ 27,775
Accumulated depreciation	<u>11,110</u>
Total	<u>\$ 16,665</u>

E. Long-Term Liabilities

1. Revenue Bonds

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

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Interest Rates	Amount
1996 Waterworks refunding revenue bonds	4.90% to 5.50%	\$ 3,345,000
2002 Waterworks refunding revenue bonds	6.45%	3,235,000
1996 Sewage Works refunding revenue bonds	4.70% to 5.40%	4,910,000
2002 Sewage Works refunding revenue bonds	2.55% to 4.00%	<u>1,210,000</u>
Total		<u>\$ 12,700,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Business-Type Activities	
	Principal	Interest
2004	\$ 1,710,000	\$ 565,517
2005	1,765,000	507,379
2006	1,825,000	439,819
2007	745,000	388,429
2008	790,000	350,904
2009-2013	<u>5,865,000</u>	<u>687,526</u>
Totals	<u>\$ 12,700,000</u>	<u>\$ 2,939,574</u>

2. Notes and Loans Payable

The primary government has entered into a note and a loan. Annual debt service requirements to maturity for the note and loan, including interest of \$167,795, are as follows:

2004	\$ 102,478
2005	173,863
2006	101,248
2007	28,633
2008	28,018
2009-2013	149,222
2014-2018	<u>257,050</u>
Total	<u>\$ 840,512</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows:

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Within One Year</u>
Business-type activities:					
Revenue bonds payable:					
Water Utility	\$ 7,625,000	\$ -	\$ 1,045,000	\$ 6,580,000	\$ 1,065,000
Wastewater Utility	6,740,000	-	620,000	6,120,000	645,000
Aviation	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total revenue bonds payable	14,415,000	-	1,715,000	12,700,000	1,710,000
Notes payable:					
Wastewater Utility	360,000	-	72,000	288,000	72,000
Loan payable:					
Wastewater Utility	399,717	-	15,000	384,717	15,000
Capital lease payable:					
Aviation	<u>10,087</u>	<u>-</u>	<u>5,931</u>	<u>4,156</u>	<u>4,156</u>
Total business-type activities long-term liabilities	<u>\$ 15,184,804</u>	<u>\$ -</u>	<u>\$ 1,807,931</u>	<u>\$ 13,376,873</u>	<u>\$ 1,801,156</u>

IV. Other Information

A. Risk Management

The primary government 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; 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.

Job Related Illnesses or Injuries to Employees

The primary government has chosen to establish a risk financing fund for risks associated with job related illnesses or injuries to employees. The risk financing fund is accounted for in the Self-Insurance Nonreverting 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 \$500,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Medical Benefits to Employees, Retirees, and Dependents

The primary government has chosen to establish a risk financing fund for risks associated medical benefits to employees, retirees and dependents for City, Utility, and Aviation Commission employees. The risk financing fund is accounted for in the Self-Insurance Nonreverting 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 \$70,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years.

B. Subsequent Events

On July 5, 2005, the City established new fund balances as of January 1, 2004, through Ordinance 17-2005.

C. Pension Plans

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

1. Public Employees' Retirement Fund

Plan Description

The primary government 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 primary government 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.

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 primary government's annual pension cost and related information, as provided by the actuary, is presented in this note.

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Information to segregate the assets/liabilities and the actuarial study figures between the primary government and the Utilities is not available.

2. Utility Pension Plan

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 service 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 not available.

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>Utility Pension</u>
Annual required contribution	\$ 389,694	*
Interest on net pension obligation	(28,125)	*
Adjustment to annual required contribution	<u>32,051</u>	<u>*</u>
Annual pension cost	393,620	*
Contributions made	<u>237,399</u>	<u>*</u>
Increase in net pension obligation	156,221	*
Net pension obligation, beginning of year	<u>(387,932)</u>	<u>*</u>
Net pension obligation, end of year	<u>\$ (231,711)</u>	<u>*</u>

*Information not available.

CITY OF COLUMBUS
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	Utility Pension
Contribution rates:		
City	4%	*
Plan members	3%	*
Actuarial valuation date	07-01-03	*
Actuarial cost method	Entry age	*
Amortization method	Level percentage of projected payroll, closed	*
Amortization period	40 years	*
Amortization period (from date)	07-1-97	*
Asset valuation method	4 year smoothed market	*

Actuarial Assumptions	PERF	Utility Pension
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 not available.

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-01	\$ 160,196	156%	\$ (270,601)
	06-30-02	124,041	195%	(387,932)
	06-30-03	393,620	60%	(231,711)
Utility Pension Plan	12-31-00	*	*	*
	12-31-01	*	*	*
	12-31-02	*	*	*

*Information not available.

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)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-01	\$ 6,203,037	\$ 4,236,492	\$ 1,966,545	146%	\$ 4,258,954	46%
07-01-02	6,016,860	6,920,880	(904,020)	87%	6,246,157	(14%)
07-01-03	6,022,186	6,262,135	(239,949)	96%	6,381,993	(4%)

CITY OF COLUMBUS
AUDIT RESULTS AND COMMENTS

FEES

In 2003, fees that were charged for facilities and programs were established by the Park Department staff and not the Park Board.

Indiana Code 36-10-3-22 states in part: "(a) Park and recreation facilities and programs shall be made available to the public free of charge as far as possible. However, if it is necessary in order to provide a particular activity, the board may charge a reasonable fee."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of all City Funds excluding Enterprise Funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

The 2002 audit of the City contained an adverse opinion because the balance of cash and investments was \$245,137.03 less than the balances reflected on the city records. Officials of the City were advised that efforts should be made to determine the nature of the differences and any necessary corrections required.

The City elected to engage the services of a public accounting firm to review the financial records and bank account activity for 2002 and 2003. In connection with the 2003 audit of the city we were provided with the work of the accountants. Upon review of this work we identified numerous errors, including the following:

- Checks listed as outstanding that had been paid.
- Checks that were outstanding but were not included on the outstanding listing.
- Mathematical errors in the totaling of the outstanding check listings.
- Bank wire transfers that were erroneously listed as outstanding checks.
- Items listed as deposits in transit that had in fact been credited to the bank accounts.
- Items listed as deposited that had not been received by the city (federal funds that were requested but not actually received). We were able to assist the City in acquiring \$396,423 in federal funds that had not been received.
- Adjustments recommended for and made to the wrong funds.
- Adjustments recommended for and made to funds that had already recorded the transactions in question.
- Items that affected different city bank accounts which were listed as reconciling differences on one account's reconciliation but not the other.

CITY OF COLUMBUS
AUDIT RESULTS AND COMMENTS
(Continued)

After our review, City Officials concluded that the continued use of city funds to pay for further analysis of prior years financial activities to determine the appropriate correcting entries to balance the city funds to the actual cash and investments was not fiscally prudent and was unlikely to prove successful.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS

The City obtained bids for project number 3-18-0012-12, Phase III Parallel Taxiway System in 2001, but did not sign contracts in 2001. R.W. Armstrong sent out letters on 6/27/03 asking if bidders ". . . are willing to continue to hold your bid for this project." At that time Ludwig and Central Indiana Contracting (later taken over by Milestone) responded, stating they would require an increase of \$2,176 and \$111,140, respectively. The grant was not awarded until 2003. At which time the City received change orders from the various contractors to show the increases in costs from the 2001 bid prices.

Indiana Code 36-1-12-6 states in part: "(a) Except as provided in subsections (b) and (c), the board shall award the contract and shall provide the successful bidder with written notice to proceed within sixty (60) days after the date on which the bids are opened. (b) If general obligation bonds are to be sold to finance the construction that is the subject of the bid, the board shall allow the bidder ninety (90) days."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF COLUMBUS, BARTHOLOMEW COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Columbus (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 2003-2 in the accompanying Schedule of Findings and Questioned Costs, the City did not comply with requirements regarding procurement that are applicable to its Airport Improvement Program. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2003-2.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2003-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. However, of the reportable conditions described above, we consider item 2003-2 to be a material weaknesses.

This report is intended solely for the information and use of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 4, 2006

CITY OF COLUMBUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2003

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Department of Commerce			
Community Development Block Grants/State's Program	14.228		
Industrial Development Incentive Program		ID-03-002	\$ 2,029,500
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Local Law Enforcement Block Grant Program	16.592		9,050
Pass-Through Indiana Criminal Justice Institute			
Crime Victim Assistance	16.575		
Turning Victims into Survivors		02VA014	15,195
Turning Victims into Survivors		03-VA014	6,424
Domestic Violence Community Action Project		00VA165	20,087
Turning Point Regional Domestic Violence Legal/ Victim Advocacy Program		02VA015 03VA013	25,067 16,046
Computer Equipment		N/A	6,000
Total for program			88,819
Total for federal grantor agency			97,869
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Grant			
Federal Transit Cluster			
Federal Transit - Formula Grants	20.507		
Section 5307 Urban transit Operating Assistance		IN-90-X449	\$ 396,423
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
Teen Driving Program		OP-03-02-03-08	9,779
Teen Driving Program		OP-04-02-03-07	9,000
Total for program			18,779
Direct Grant			
Airport Improvement Program	20.106		
Taxiway D Renovation Project		3-18-0012-10	331,281
AWOS installation and demolition of hangar		3-18-0012-11	13,543
Construct Phase III Runway 14-32 Parallel Taxiway System		3-18-0012-12	512,463
Total for program			857,287
Total for federal grantor agency			1,272,489
Total federal awards expended			\$ 3,399,858

The accompanying note are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF COLUMBUS
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Columbus (primary government) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF COLUMBUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Disclaimer

Internal control over financial reporting:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none noted

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified for all programs except Airport Improvement Program, which was Qualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

Finding No. 2003-1, CONDITION OF RECORDS

As discussed in Audit Results and Comments, our review of the December 31, 2003, bank reconciliation disclosed a number of errors. We determined that bank accounts cannot be reconciled to the current December 31, 2003, ending balances, due to posting errors in the current and prior years. As a result, we have disclaimed an opinion in regards to the City's financials.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CITY OF COLUMBUS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We instructed the officials of the City of Columbus to establish new fund balances as of January 1, 2004, in order to perform monthly reconciliements of balances recorded in ledgers with amounts shown in depositories' statements.

Section III – Federal Award Findings and Questioned Costs

Finding No. 2003-2. Procurement and Suspension and Debarment

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106

City airport officials obtained sealed bids for project number 3-18-0012-12, Phase III Parallel Taxiway System, in 2001, in accordance with, and as required by, Indiana Code (IC) 36-1-12-4. At that time, the low bid for the primary project (grading, drainage, and paving) was \$952,792. The low bid for the electrical portion of the project was \$204,437.90. However, the grant to fund this project was not awarded until 2003. At that time, engineers for the project inquired of the bidders if they would hold their respective bids for the project or, if not to specify what increases were necessary. Airport officials then awarded the contracts, based on the 2001 bids, and issued change orders for the additional amounts requested. The primary contract amount was increased from the original by \$111,140 to bring the new total to \$1,063,932. The contract amount for the electrical project portion was increased from the original by \$2,176 to bring the new total to \$206,613.90.

49 CFR 18.36 states in part: "(b) Procurement standards. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations . . .

Indiana Code 36-1-12-6 states: "(a) Except as provided in subsections (b) and (c), the board shall award the contract and shall provide the successful bidder with written notice to proceed within sixty (60) days after the date on which bids are opened. (b) If general obligation bonds are to be sold to finance the construction that is the subject of the bid, the board shall allow the bidder ninety (90) days. (c) If revenue bonds are to be issued, when approved by the utility regulatory commission, or if special taxing district, special benefit, or revenue bonds are to be issued and sold to finance the construction, the board shall allow the bidder one hundred fifty (150) days. (d) A failure to award and execute the contract and to issue notice within the time required by this section entitles the successful bidder to: (1) reject the contract and withdraw his bid without prejudice; or (2) extend the time to award the contract and provide notice to proceed at an agreed later date. If the successful bidder elects to reject the contract and withdraw his bid, notice of that election must be given to the board in writing within fifteen (15) days of the sixty (60) day expiration date or any other extension date."

The procedures followed in adjusting the 2001 bid amounts and in awarding the contract in 2003 were not in accordance with the requirements of Indiana Code 36-1-12-6. The failure to follow the appropriate statutory procedures at the time of the bidding in 2001 and the failure to rebid the project in 2003 may have resulted in excessive costs being charged to the airport construction project.

The payments made under these contracts in the amount of \$857,287 are considered to be questioned costs.

We recommended that City airport officials follow the appropriate federal regulations and the Indiana Code procurement requirements in all future airport projects.

CITY OF COLUMBUS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



CITY OF COLUMBUS

BRENDA SULLIVAN, CLERK-TREASURER

I have taken the following steps as corrective action regarding the following:

Section II – Financial Statement Findings

Finding No. 2003-1, Condition of Records

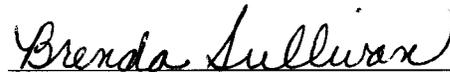
On January 1, 2004, I took office as the newly-elected city clerk treasurer for the City of Columbus. I have no responsibility in the findings concerning the condition of the records for 2003. As stated in the corrective action plan for the audit 2002, the Mayor and the Common Council recommended the City enter into a contract with the accounting firm of Crowe Chizek and Company LLC. to assist in the reconciliation for 2002 as well as 2003. Crowe Chizek and Company LLC completed the 2002 and 2003 reconciliations to the best of their abilities and with the information they were provided.

In the fall of 2004, the State Board of Accounts began the 2003 city audit. While working on the 2003 city audit, the SBOA realized additional adjustments beyond those completed by Crowe Chizek needed to be made between funds. Again, the books could not be sufficiently reconciled. It was determined by the SBOA that a good faith effort had been made by all parties involved, but the funds balances could not be economically corrected.

After numerous meetings between all parties involved in the reconciliation and audit, it was concluded the best way to resolve the matter would be to use the Home Rule powers as set forth in Indiana Code 36-1-3-1 et. seq. Upon request from this office, Marilyn Rudolph, State Examiner, sent a letter dated June 3, 2005 approving the action to use the Home Rule powers and establish an Ordinance.

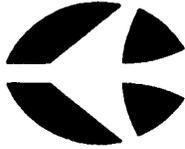
As a result, on July 5, 2005 – Ordinance No. 17, 2005 “An Ordinance Establishing Fund Balances as of January 1, 2004”, was approved by the Columbus City Council.

With the approved established fund balances, the accounting specialist for the Columbus City Clerk Treasurer’s Office went forward reconciling each month starting back to January, 2004. This office has reconciled every month since and is up to date on reconciliation on all funds.



Brenda Sullivan
Columbus City Clerk Treasurer

Dated this 12th day of October, 2006



COLUMBUS MUNICIPAL AIRPORT

October 12, 2006

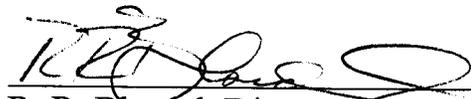
The following corrective action is planned for the Columbus Municipal Airport regarding a finding by the State Board of Accounts as outlined below:

Section III – Federal Award Findings and Questioned Costs

Finding No. 2003-2. Procurement and Suspension and Debarment

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106

The Columbus Municipal Airport, under the direction of airport city officials, will follow the appropriate federal regulations and the Indiana Code procurement requirements in all future airport projects.


R. R. Blasdel, Director
Columbus Municipal Airport

CITY OF COLUMBUS
EXIT CONFERENCE

The contents of this report were discussed on October 12, 2006, with Fred Armstrong, Mayor; Brenda Sullivan, Clerk-Treasurer; Marcia Covert, Chief Deputy Clerk-Treasurer; and Oakel Hardy, Manager of Information Services.