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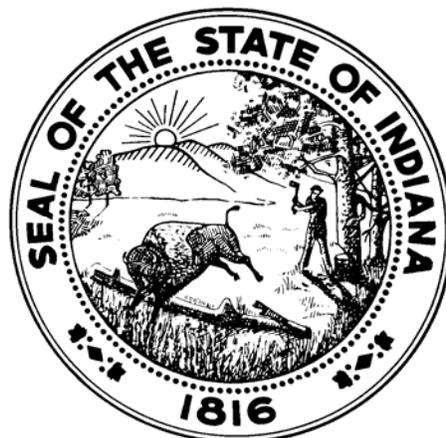
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

CITY OF COLUMBIA CITY

WHITLEY COUNTY, INDIANA



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosie Coyle	01-01-04 to 12-31-07
Mayor	James R. Fleck	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	James R. Fleck	01-01-04 to 12-31-07
President of the Common Council	Grace Lotter Walter Crowder	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Water Utility	Michael Dear	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Howard Lowen	01-01-06 to 12-31-07
Superintendent of Electric Utility	Larry Whetstone	01-01-06 to 12-31-07



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 COLUMBIA CITY, WHITLEY 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 Columbia City (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinions.

As discussed in Note I, the City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 30, 2007, 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.

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

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 30, 2007



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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 COLUMBIA CITY, WHITLEY COUNTY, INDIANA

We have audited the financial statements of the City of Columbia City (City), as of and for the year ended December 31, 2006, and have issued our report thereon dated April 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be 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

April 30, 2007

CITY OF COLUMBIA CITY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,782,560	\$ 1,425,031	\$ -	\$ 160,843	\$ (196,686)	\$ -	\$ (196,686)
Public safety	1,962,073	16,380	16,152	16,160	(1,913,381)	-	(1,913,381)
Highways and streets	735,551	6,420	273,095	98,283	(357,753)	-	(357,753)
Sanitation	273,121	275,359	-	13,612	15,850	-	15,850
Health and welfare	121,554	15,070	-	-	(106,484)	-	(106,484)
Culture and recreation	486,277	113,228	25,809	33,126	(314,114)	-	(314,114)
Economic development	-	-	-	80,000	80,000	-	80,000
Urban redevelopment and housing	169,017	20,414	-	87,754	(60,849)	-	(60,849)
Interest on long-term debt	68,893	-	-	-	(68,893)	-	(68,893)
Total governmental activities	5,599,046	1,871,902	315,056	489,778	(2,922,310)	-	(2,922,310)
Business-type activities:							
Water	1,664,388	1,311,551	12,327	-	-	(340,510)	(340,510)
Wastewater	2,008,197	2,669,218	115,159	85,856	-	862,036	862,036
Electric	9,786,770	8,262,192	29,739	-	-	(1,494,839)	(1,494,839)
Storm water	68,357	220,025	-	-	-	151,668	151,668
Total business-type activities	13,527,712	12,462,986	157,225	85,856	-	(821,645)	(821,645)
Total primary government	\$ 19,126,758	\$ 14,334,888	\$ 472,281	\$ 575,634	(2,922,310)	(821,645)	(3,743,955)
General receipts:							
Property taxes					2,058,342	-	2,058,342
Other local sources					1,095,709	-	1,095,709
Bonds and loans					-	1,700,000	1,700,000
Grants and contributions not restricted to specific programs					72,796	-	72,796
Unrestricted investment earnings					65,272	176,858	242,130
Total general receipts					3,292,119	1,876,858	5,168,977
Change in net assets					369,809	1,055,213	1,425,022
Net assets - beginning					1,519,859	3,453,849	4,973,708
Net assets - ending					\$ 1,889,668	\$ 4,509,062	\$ 6,398,730
<u>Assets</u>							
Cash and investments					\$ 886,305	\$ 458,744	\$ 1,345,049
Restricted assets:							
Cash and investments					1,003,363	4,050,318	5,053,681
Total assets					\$ 1,889,668	\$ 4,509,062	\$ 6,398,730
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 190,998	\$ -	\$ 190,998
Highways and streets					478,141	-	478,141
Sanitation					86,787	-	86,787
Health and welfare					24,192	-	24,192
Culture and recreation					20,060	-	20,060
Urban redevelopment and housing					171,625	-	171,625
Debt service					31,560	595,377	626,937
Other purposes					-	3,454,941	3,454,941
Unrestricted					886,305	458,744	1,345,049
Total net assets					\$ 1,889,668	\$ 4,509,062	\$ 6,398,730

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

CITY OF COLUMBIA CITY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Other Governmental Funds	Totals
Receipts:			
Taxes	\$ 945,058	\$ 1,113,284	\$ 2,058,342
Licenses and permits	983	1,305	2,288
Intergovernmental	1,099,602	851,922	1,951,524
Charges for services	344,046	402,514	746,560
Fines and forfeits	17,501	8,116	25,617
Other	37,329	89,289	126,618
Total receipts	2,444,519	2,466,430	4,910,949
Disbursements:			
General government	560,288	28,826	589,114
Public safety	1,704,427	43,426	1,747,853
Highways and streets	98,802	488,833	587,635
Sanitation	-	273,121	273,121
Health and welfare	-	21,554	21,554
Culture and recreation	-	396,733	396,733
Urban redevelopment and housing	-	162,131	162,131
Debt service:			
Principal	-	167,000	167,000
Interest	-	68,893	68,893
Capital outlay:			
General government	-	126,442	126,442
Public safety	-	147,220	147,220
Highways and streets	-	147,916	147,916
Culture and recreation	-	89,544	89,544
Urban redevelopment and housing	-	6,886	6,886
Total disbursements	2,363,517	2,168,525	4,532,042
Excess of receipts over disbursements	81,002	297,905	378,907
Other financing sources (uses)			
Transfers in	-	353,760	353,760
Transfers out	(11,500)	(342,260)	(353,760)
Other receipts	-	27,100	27,100
Total other financing sources (uses)	(11,500)	38,600	27,100
Excess of receipts and other financing sources over disbursements and other financing uses	69,502	336,505	406,007
Cash and investment fund balance - beginning	126,698	1,305,886	1,432,584
Cash and investment fund balance - ending	\$ 196,200	\$ 1,642,391	1,838,591
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:			
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets of the internal service funds are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.			
			51,077
Net assets of governmental activities			\$ 1,889,668
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 196,200	\$ 639,028	\$ 835,228
Restricted assets:			
Cash and investments	-	1,003,363	1,003,363
Total cash and investment assets - December 31	\$ 196,200	\$ 1,642,391	\$ 1,838,591
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Public safety	\$ -	\$ 190,998	\$ 190,998
Highways and streets	-	478,141	478,141
Sanitation	-	86,787	86,787
Health and welfare	-	24,192	24,192
Culture and recreation	-	20,060	20,060
Urban redevelopment and housing	-	171,625	171,625
Debt service	-	31,560	31,560
Unrestricted	196,200	639,028	835,228
Total cash and investment fund balance - December 31	\$ 196,200	\$ 1,642,391	\$ 1,838,591

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

CITY OF COLUMBIA CITY
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Electric Utility	Storm Water Utility	Total	Internal Service Funds
Operating receipts:						
Metered water receipts	\$ 923,021	\$ -	\$ -	\$ -	\$ 923,021	\$ -
Residential, commercial and industrial sales	-	-	7,904,801	-	7,904,801	-
Public street and highway lighting	-	-	90,668	-	90,668	-
Fire protection receipts	288,153	-	-	-	288,153	-
Other water receipts	100,377	-	-	-	100,377	-
Measured revenue	-	2,611,083	-	219,975	2,831,058	-
Employer/employee contributions	-	-	-	-	-	1,027,884
Other	-	58,135	266,723	50	324,908	-
Total operating receipts	1,311,551	2,669,218	8,262,192	220,025	12,462,986	1,027,884
Operating disbursements:						
Equipment and capital improvements	204,531	70,934	1,618,144	-	1,893,609	-
Administration and general	97,269	124,334	268,450	-	490,053	-
Insurance claims and premiums	-	-	-	-	-	1,067,004
Salaries and wages	382,768	375,468	425,595	4,549	1,188,380	-
Employee pensions and benefits	281,185	268,508	589,188	-	1,138,881	-
Purchased water	2,171	-	-	-	2,171	-
Purchased power	-	136,243	5,580,301	-	5,716,544	-
Sludge removal	-	228,425	-	-	228,425	-
Fuel for power production	54,293	-	-	-	54,293	-
Chemicals	4,049	53,350	-	-	57,399	-
Material and supplies	161,178	28,003	347,276	5,626	542,083	-
Contractual services	81,902	114,506	51,800	57,986	306,194	-
Rents	-	6,945	-	-	6,945	-
Transportation disbursements	16,403	39,227	174,024	-	229,654	-
Insurance disbursements	73,251	44,710	67,957	-	185,918	-
Miscellaneous disbursements	85,152	39,913	495,866	196	621,127	-
Total operating disbursements	1,444,152	1,530,566	9,618,601	68,357	12,661,676	1,067,004
Excess (deficiency) of operating receipts over operating disbursements	(132,601)	1,138,652	(1,356,409)	151,668	(198,690)	(39,120)
Nonoperating receipts (disbursements):						
Bond proceeds	1,700,000	-	-	-	1,700,000	-
Interest and investment receipts	17,821	46,252	101,450	11,335	176,858	204
Miscellaneous receipts	12,327	201,015	29,739	-	243,081	2,718
Debt service of principal	(67,000)	(228,000)	-	-	(295,000)	-
Interest and investment disbursement	(72,968)	(171,631)	-	-	(244,599)	-
Miscellaneous disbursements	(80,268)	(78,000)	(168,169)	-	(326,437)	-
Total nonoperating receipts (disbursements)	1,509,912	(230,364)	(36,980)	11,335	1,253,903	2,922
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	1,377,311	908,288	(1,393,389)	163,003	1,055,213	(36,198)
Cash and investment fund balance - beginning	439,121	353,828	2,510,664	150,236	3,453,849	87,275
Cash and investment fund balance - ending	<u>\$ 1,816,432</u>	<u>\$ 1,262,116</u>	<u>\$ 1,117,275</u>	<u>\$ 313,239</u>	<u>\$ 4,509,062</u>	<u>\$ 51,077</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ (16,022)	\$ 513,521	\$ (351,994)	\$ 313,239	\$ 458,744	\$ 51,077
Restricted assets:						
Cash and investments	1,832,454	748,595	1,469,269	-	4,050,318	-
Total cash and investment assets - December 31	<u>\$ 1,816,432</u>	<u>\$ 1,262,116</u>	<u>\$ 1,117,275</u>	<u>\$ 313,239</u>	<u>\$ 4,509,062</u>	<u>\$ 51,077</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Debt service	\$ 178,820	\$ 416,557	\$ -	\$ -	\$ 595,377	\$ -
Other purposes	1,653,634	332,038	1,469,269	-	3,454,941	-
Unrestricted	(16,022)	513,521	(351,994)	313,239	458,744	51,077
Total cash and investment fund balance - December 31	<u>\$ 1,816,432</u>	<u>\$ 1,262,116</u>	<u>\$ 1,117,275</u>	<u>\$ 313,239</u>	<u>\$ 4,509,062</u>	<u>\$ 51,077</u>

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

CITY OF COLUMBIA CITY
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
State	\$ 101,827	\$ -	\$ -
Other	-	55,437	-
	<u>101,827</u>	<u>55,437</u>	<u>-</u>
Total contributions			
Agency fund additions	-	-	3,697,194
	<u>101,827</u>	<u>55,437</u>	<u>3,697,194</u>
Deductions:			
Benefits	181,017	-	-
Administrative and general	1,354	-	-
Other	-	52,879	-
Agency fund deductions	-	-	3,691,077
	<u>182,371</u>	<u>52,879</u>	<u>3,691,077</u>
Total deductions			
Excess (deficiency) of total additions over total deductions	(80,544)	2,558	6,117
Cash and investment fund balance - beginning	<u>49,751</u>	<u>52,127</u>	<u>1,175</u>
Cash and investment fund balance - ending	<u>\$ (30,793)</u>	<u>\$ 54,685</u>	<u>\$ 7,292</u>

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

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

The City's financial reporting entity is composed of the following:

Primary Government: City of Columbia City
Blended Component Unit: Columbia City Environmental Response Taxing District

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City's governing body or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Columbia City Environmental Response Taxing District (District)	The primary government appoints a voting majority of the District's board and a financial benefit/burden relationship exists between the City and the District. Although it is legally separate from the City, the District is reported as if it were a part of the City because it provides services entirely or almost entirely to the City.	Governmental Funds

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. 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.

The City reports the following major governmental fund:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

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

The electric utility fund accounts for the operation of the electric distribution system.

The storm water utility fund accounts for the operation of the storm water collection system.

Additionally, the City reports the following fund types:

The internal service fund accounts for health insurance provided to other departments on a cost-reimbursement basis.

The pension trust fund accounts for the activities of the 1925 police officers' pension fund, which accumulates resources for pension benefit payments.

The private-purpose trust funds report trust arrangements under which principal and income benefit the citizens of the City of Columbia City.

Agency funds account for assets held by the City as an agent for the City of Columbia City and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.

CITY OF COLUMBIA CITY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the City submits to the governing board 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 governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/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 fiscal officer of the City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. 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.

B. Cash and Investment Balance Deficits

At December 31, 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006
Park and Recreation Nonreverting	\$ 112,691
Police Pension	30,793
Water Utility - Operating	16,022
Electric Utility - Operating	351,994

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. 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 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the City to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the City and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the City may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of

CITY OF COLUMBIA CITY
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The City does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

Transfer From	Transfer To	2006
General Fund	Other governmental	\$ 11,500
Other governmental	Other governmental	342,260
Total		\$ 353,760

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

The City has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Group Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$45,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each fund's gross wages, and are reported as quasi-external interfund transactions.

B. Holding Corporation

The City has entered into a capital lease with Columbia City-Whitley County Building Authority (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related party of the City. Lease payments during the year totaled \$96,907.

C. Postemployment Benefits

In addition to the pension benefits described below, the City provides postemployment medical benefits, as authorized by Indiana Code 5-10-8, to all employees who retire from the City on or after attaining age 55 with at least 20 years of service. Currently, 1 retiree meets these eligibility requirements. The City provides ½ of the cost of single coverage of these postemployment benefits. Disbursements for those postemployment benefits are recognized on a pay-as-you-go basis. During the year ended December 31, 2006, disbursements of \$2,860 were recognized for postemployment benefits.

D. Loans Receivable – Housing Rehab Loans

Loans receivable activity for the year ended December 31, 2006, was as follows:

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Housing Rehab Loans</u>	<u>Beginning Balance</u>	<u>New Loans</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activity:				
Housing Authority Grant I	\$ 18,917	\$ -	\$ 2,760	\$ 16,157
Housing Authority Grant II	14,681	-	2,746	11,935
Housing Authority Grant III	43,966	-	5,089	38,877
Housing Authority Grant IV	-	61,190	9,818	51,372
Totals	<u>\$ 77,564</u>	<u>\$ 61,190</u>	<u>\$ 20,413</u>	<u>\$ 118,341</u>

E. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on October 11, 2006.

Wastewater Utility

The current rate structure was approved by the Common Council on February 22, 2005.

Electric Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on March 1, 2000.

Storm Water Utility

The current rate structure was approved by the Common Council on July 25, 2006.

F. Pension Plans

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

a. Public Employees' Retirement Fund

Plan Description

The City 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 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 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.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Funding Policy and Annual Pension Cost

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

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

b. 1925 Police Officers' Pension Plan

Plan Description

The City contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
Annual required contribution	\$ 105,053	\$ 286,000
Interest on net pension obligation	(15,187)	43,500
Adjustment to annual required contribution	<u>17,307</u>	<u>(76,000)</u>
Annual pension cost	107,173	253,500
Contributions made	<u>166,507</u>	<u>152,763</u>
Increase (decrease) in net pension obligation	(59,334)	100,737
Net pension obligation, beginning of year	<u>(209,475)</u>	<u>644,296</u>
Net pension obligation, end of year	<u>\$ (268,809)</u>	<u>\$ 745,033</u>
Contribution rates:		
City	7%	N/A
Plan members	3%	N/A
Actuarial valuation date	07-01-05	01-01-05
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	30 years
Amortization period (from date)	07-01-97	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital

N/A = Not available

Actuarial Assumptions

Investment rate of return	7.25%	6%
Projected future salary increases:		
Total	5%	4%
Attributed to inflation	4%	4%
Attributed to merit/seniority	1%	0%
Cost-of-living adjustments	2%	2.75/4%*

* 2.75% converted members; 4% nonconverted members

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 149,489	107%	\$ (154,778)
	06-30-04	122,355	145%	(209,475)
	06-30-05	107,173	136%	(268,809)
1925 Police Officers' Pension Plan	12-31-02	267,200	116%	538,727
	12-31-03	248,400	58%	644,296
	12-31-04	253,500	60%	745,033

Membership in the 1925 Police Officers' Pension Plan at January 1, 2006, was comprised of the following:

Retirees and beneficiaries currently receiving benefits	<u>1925 Police Officers' Pension</u>
	11

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The City contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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:

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

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$196,899, \$179,494, and \$174,315, respectively, equal to the required contributions for each year.

CITY OF COLUMBIA CITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,950,879	\$ 2,309,577	\$ (358,698)	84%	\$ 2,122,540	(17%)
07-01-04	2,041,385	2,216,697	(175,312)	92%	2,097,850	(8%)
07-01-05	2,174,609	2,656,335	(481,726)	82%	2,284,916	(21%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 29,576	\$ 2,974,000	\$ (2,944,424)	1%	\$ -	N/A
01-01-01	34,253	2,943,900	(2,909,647)	1%	-	N/A
01-01-02	44,410	2,779,100	(2,734,690)	2%	-	N/A
01-01-03	173,916	2,499,900	(2,325,984)	7%	-	N/A
01-01-04	140,376	2,504,100	(2,363,724)	6%	-	N/A
01-01-05	115,283	2,410,600	(2,295,317)	5%	-	N/A

N/A - Not applicable

CITY OF COLUMBIA CITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

1925 Police Officers' Pension Plan			
	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
1925 Police Officers' Pension Plan	12-31-99	\$ 289,600	58%
	12-31-00	289,900	65%
	12-31-01	296,800	58%
	12-31-02	290,800	107%
	12-31-03	272,700	52%
	12-31-04	286,000	53%

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Park and Recreation	Law Enforcement Continuing Education	Riverboat	Rainy Day	Hazardous Material Response
Receipts:							
Taxes	\$ 266,617	\$ -	\$ 214,581	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	1,305	-	-	-
Intergovernmental	321,649	40,576	25,249	2,555	44,534	-	-
Charges for services	3,024	-	-	4,004	-	-	5,200
Fines and forfeits	-	-	-	3,176	-	-	-
Other	6,506	-	36	-	6,382	8,082	-
Total receipts	597,796	40,576	239,866	11,040	50,916	8,082	5,200
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	11,175	-	-	5,481
Highways and streets	430,757	49,042	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	228,135	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	430,757	49,042	228,135	11,175	-	-	5,481
Excess (deficiency) of receipts over disbursements	167,039	(8,466)	11,731	(135)	50,916	8,082	(281)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	(500)	-	(2,000)	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	(500)	-	(2,000)	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	166,539	(8,466)	9,731	(135)	50,916	8,082	(281)
Cash and investment fund balance - beginning	87,402	49,012	35,101	1,777	138,049	174,243	440
Cash and investment fund balance - ending	\$ 253,941	\$ 40,546	\$ 44,832	\$ 1,642	\$ 188,965	\$ 182,325	\$ 159
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 188,965	\$ 182,325	\$ -
Restricted assets:							
Cash and investments	253,941	40,546	44,832	1,642	-	-	159
Total cash and investment assets - December 31	\$ 253,941	\$ 40,546	\$ 44,832	\$ 1,642	\$ 188,965	\$ 182,325	\$ 159
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ 1,642	\$ -	\$ -	\$ 159
Highways and streets	253,941	40,546	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	44,832	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	188,965	182,325	-
Total cash and investment fund balance - December 31	\$ 253,941	\$ 40,546	\$ 44,832	\$ 1,642	\$ 188,965	\$ 182,325	\$ 159

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Parking Meter	Fire Violations	Tax Increment Financing Redevelopment	Housing Grant	Bicentennial Committee	Housing Grant #3	Park and Recreation Nonreverting
Receipts:							
Taxes	\$ -	\$ -	\$ 34,625	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	86,018	30,283
Charges for services	-	-	-	-	-	-	108,749
Fines and forfeits	4,800	140	-	-	-	-	-
Other	2,991	-	3,930	2,760	-	18,119	4,443
Total receipts	7,791	140	38,555	2,760	-	104,137	143,475
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	348	-	-	-	-	-
Highways and streets	8,311	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	167,150
Urban redevelopment and housing	-	-	19,804	165	-	142,162	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	8,311	348	19,804	165	-	142,162	167,150
Excess (deficiency) of receipts over disbursements	(520)	(208)	18,751	2,595	-	(38,025)	(23,675)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(520)	(208)	18,751	2,595	-	(38,025)	(23,675)
Cash and investment fund balance - beginning	8,028	758	78,797	5,920	697	94,026	(89,016)
Cash and investment fund balance - ending	<u>\$ 7,508</u>	<u>\$ 550</u>	<u>\$ 97,548</u>	<u>\$ 8,515</u>	<u>\$ 697</u>	<u>\$ 56,001</u>	<u>\$ (112,691)</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 697	\$ -	\$ -
Restricted assets:							
Cash and investments	7,508	550	97,548	8,515	-	56,001	(112,691)
Total cash and investment assets - December 31	\$ 7,508	\$ 550	\$ 97,548	\$ 8,515	\$ 697	\$ 56,001	\$ (112,691)
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ 550	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	7,508	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	(112,691)
Urban redevelopment and housing	-	-	97,548	8,515	-	56,001	-
Debt service	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	697	-	-
Total cash and investment fund balance - December 31	\$ 7,508	\$ 550	\$ 97,548	\$ 8,515	\$ 697	\$ 56,001	\$ (112,691)

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Enhanced 911	Police Operation Pullover Grant	Solid Waste	Information Services	Cemetery	Federal Equitable Sharing	Fire Equipment Bond
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,748
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	10,201	5,950	-	-	-	2,107	7,248
Charges for services	-	-	266,467	-	15,070	-	-
Fines and forfeits	-	-	-	-	-	-	-
Other	-	-	725	-	-	9	-
Total receipts	10,201	5,950	267,192	-	15,070	2,116	68,996
Disbursements:							
General government	-	-	-	28,826	-	-	-
Public safety	7,579	5,000	-	11,820	-	2,023	-
Highways and streets	-	-	-	723	-	-	-
Sanitation	-	-	273,121	-	-	-	-
Health and welfare	-	-	-	-	21,554	-	-
Culture and recreation	-	-	-	1,448	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	67,000
Interest	-	-	-	-	-	-	49,668
Capital outlay:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Total disbursements	7,579	5,000	273,121	42,817	21,554	2,023	116,668
Excess (deficiency) of receipts over disbursements	2,622	950	(5,929)	(42,817)	(6,484)	93	(47,672)
Other financing sources (uses)							
Transfers in	-	-	-	14,000	-	-	-
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	27,100	-	-	-
Total other financing sources (uses)	-	-	-	41,100	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,622	950	(5,929)	(1,717)	(6,484)	93	(47,672)
Cash and investment fund balance - beginning	5,473	211	92,716	7,657	30,676	-	58,569
Cash and investment fund balance - ending	\$ 8,095	\$ 1,161	\$ 86,787	\$ 5,940	\$ 24,192	\$ 93	\$ 10,897
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ -	\$ 5,940	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	8,095	1,161	86,787	-	24,192	93	10,897
Total cash and investment assets - December 31	\$ 8,095	\$ 1,161	\$ 86,787	\$ 5,940	\$ 24,192	\$ 93	\$ 10,897
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ 8,095	\$ 1,161	\$ -	\$ -	\$ -	\$ 93	\$ -
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	86,787	-	-	-	-
Health and welfare	-	-	-	-	24,192	-	-
Culture and recreation	-	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	10,897
Unrestricted	-	-	-	5,940	-	-	-
Total cash and investment fund balance - December 31	\$ 8,095	\$ 1,161	\$ 86,787	\$ 5,940	\$ 24,192	\$ 93	\$ 10,897

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Debt Service Hazardous Waste	Cumulative Capital Improvement	Cumulative Capital Development	Economic Development Income Tax	General Improvement	CIP Community Development
Receipts:						
Taxes	\$ 115,672	\$ -	\$ 86,753	\$ -	\$ -	\$ 154,034
Licenses and permits	-	-	-	-	-	-
Intergovernmental	13,612	25,282	10,208	80,000	-	125,353
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	166	-	-	4,786	4,980	10,170
Total receipts	129,450	25,282	96,961	84,786	4,980	289,557
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	100,000	-	-	-	-	-
Interest	19,225	-	-	-	-	-
Capital outlay:						
General government	-	19,657	77,250	-	-	29,535
Public safety	-	-	-	-	-	147,220
Highways and streets	-	-	-	-	4,990	142,926
Culture and recreation	-	-	-	-	-	59,369
Urban redevelopment and housing	-	-	-	-	-	-
Total disbursements	119,225	19,657	77,250	-	4,990	379,050
Excess (deficiency) of receipts over disbursements	10,225	5,625	19,711	84,786	(10)	(89,493)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	339,760
Transfers out	-	-	-	(339,760)	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(339,760)	-	339,760
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,225	5,625	19,711	(254,974)	(10)	250,267
Cash and investment fund balance - beginning	10,438	(5,043)	(9,304)	254,974	16,769	(16,914)
Cash and investment fund balance - ending	<u>\$ 20,663</u>	<u>\$ 582</u>	<u>\$ 10,407</u>	<u>\$ -</u>	<u>\$ 16,759</u>	<u>\$ 233,353</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ 582	\$ 10,407	\$ -	\$ 16,759	\$ 233,353
Restricted assets:						
Cash and investments	20,663	-	-	-	-	-
Total cash and investment assets - December 31	<u>\$ 20,663</u>	<u>\$ 582</u>	<u>\$ 10,407</u>	<u>\$ -</u>	<u>\$ 16,759</u>	<u>\$ 233,353</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service	20,663	-	-	-	-	-
Unrestricted	-	582	10,407	-	16,759	233,353
Total cash and investment fund balance - December 31	<u>\$ 20,663</u>	<u>\$ 582</u>	<u>\$ 10,407</u>	<u>\$ -</u>	<u>\$ 16,759</u>	<u>\$ 233,353</u>

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Cumulative Fire Special	Cumulative Park and Recreation	Park Capital Outlay	Economic Development Redevelopment	Cumulative Bridge and Street	Totals
Receipts:						
Taxes	\$ 57,836	\$ 28,918	\$ -	\$ 14,711	\$ 77,789	\$ 1,113,284
Licenses and permits	-	-	-	-	-	1,305
Intergovernmental	6,805	3,403	-	1,736	9,153	851,922
Charges for services	-	-	-	-	-	402,514
Fines and forfeits	-	-	-	-	-	8,116
Other	6,536	3,648	-	-	5,020	89,289
Total receipts	71,177	35,969	-	16,447	91,962	2,466,430
Disbursements:						
General government	-	-	-	-	-	28,826
Public safety	-	-	-	-	-	43,426
Highways and streets	-	-	-	-	-	488,833
Sanitation	-	-	-	-	-	273,121
Health and welfare	-	-	-	-	-	21,554
Culture and recreation	-	-	-	-	-	396,733
Urban redevelopment and housing	-	-	-	-	-	162,131
Debt service:						
Principal	-	-	-	-	-	167,000
Interest	-	-	-	-	-	68,893
Capital outlay:						
General government	-	-	-	-	-	126,442
Public safety	-	-	-	-	-	147,220
Highways and streets	-	-	-	-	-	147,916
Culture and recreation	-	30,163	12	-	-	89,544
Urban redevelopment and housing	-	-	-	6,886	-	6,886
Total disbursements	-	30,163	12	6,886	-	2,168,525
Excess (deficiency) of receipts over disbursements	71,177	5,806	(12)	9,561	91,962	297,905
Other financing sources (uses)						
Transfers in	-	-	-	-	-	353,760
Transfers out	-	-	-	-	-	(342,260)
Other receipts	-	-	-	-	-	27,100
Total other financing sources (uses)	-	-	-	-	-	38,600
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	71,177	5,806	(12)	9,561	91,962	336,505
Cash and investment fund balance - beginning	108,121	81,957	168	-	84,184	1,305,886
Cash and investment fund balance - ending	<u>\$ 179,298</u>	<u>\$ 87,763</u>	<u>\$ 156</u>	<u>\$ 9,561</u>	<u>\$ 176,146</u>	<u>\$ 1,642,391</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 639,028
Restricted assets:						
Cash and investments	179,298	87,763	156	9,561	176,146	1,003,363
Total cash and investment assets - December 31	<u>\$ 179,298</u>	<u>\$ 87,763</u>	<u>\$ 156</u>	<u>\$ 9,561</u>	<u>\$ 176,146</u>	<u>\$ 1,642,391</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ 179,298	\$ -	\$ -	\$ -	\$ -	\$ 190,998
Highways and streets	-	-	-	-	176,146	478,141
Sanitation	-	-	-	-	-	86,787
Health and welfare	-	-	-	-	-	24,192
Culture and recreation	-	87,763	156	-	-	20,060
Urban redevelopment and housing	-	-	-	9,561	-	171,625
Debt service	-	-	-	-	-	31,560
Unrestricted	-	-	-	-	-	639,028
Total cash and investment fund balance - December 31	<u>\$ 179,298</u>	<u>\$ 87,763</u>	<u>\$ 156</u>	<u>\$ 9,561</u>	<u>\$ 176,146</u>	<u>\$ 1,642,391</u>

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2006

	<u>Donation</u>	<u>Park Donation</u>	<u>Cemetery Endowment</u>	<u>Total</u>
Additions:				
Contributions:				
Other	\$ 24,516	\$ 29,541	\$ 1,380	\$ 55,437
Deductions:				
Other	24,312	28,567	-	52,879
Excess of total additions over total deductions	204	974	1,380	2,558
Cash and investment fund balance - beginning	23,027	7,587	21,513	52,127
Cash and investment fund balance - ending	<u>\$ 23,231</u>	<u>\$ 8,561</u>	<u>\$ 22,893</u>	<u>\$ 54,685</u>

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	Payroll Withholdings	Sales Tax	Total
Additions:			
Agency fund additions	\$ 3,697,012	\$ 182	\$ 3,697,194
Deductions:			
Agency fund deductions	3,690,891	186	3,691,077
Excess (deficiency) of total additions over total deductions	6,121	(4)	6,117
Cash and investment fund balance - beginning	1,169	6	1,175
Cash and investment fund balance - ending	\$ 7,290	\$ 2	\$ 7,292

CITY OF COLUMBIA CITY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

December 31, 2006

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.

General infrastructure assets completed in the current and prior years have been reported. Retroactive reporting of general infrastructure assets will occur by December 31, 2007.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 88,675
Infrastructure	479,231
Buildings	2,106,094
Improvements other than buildings	1,120,368
Machinery and equipment	<u>2,928,492</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,722,860</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 7,654
Construction in progress	82,295
Capital assets, being depreciated:	
Buildings	1,587,879
Improvements other than buildings	5,087,786
Machinery and equipment	<u>458,584</u>
Total Water Utility capital assets	<u>7,224,198</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	23,396
Construction in progress	11,225,529
Capital assets, being depreciated:	
Buildings	1,304,341
Improvements other than buildings	9,265,095
Machinery and equipment	<u>657,983</u>
Total Wastewater Utility capital assets	<u>22,476,344</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	223,573
Construction in progress	1,634,454
Capital assets, being depreciated:	
Buildings	1,545,264
Improvements other than buildings	7,630,452
Machinery and equipment	<u>1,626,733</u>
Total Electric Utility capital assets	<u>12,660,476</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Construction in progress	<u>25,113</u>
Total business-type activities capital assets	<u>\$ 42,386,131</u>

CITY OF COLUMBIA CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Governmental Activities:			
Capital leases:			
City hall	\$ 813,200	\$ 998,818	\$ 113,980
Bonds payable:			
General obligation bonds:			
\$1,145,000 2001 fire station renovations	-	870,000	71,000
\$1,085,000 1994 hazardous waste site	-	215,000	-
Total governmental activities long-term debt	\$ 813,200	\$ 2,083,818	\$ 184,980
Business-type Activities:			
Water Utility			
Revenue bonds:			
\$1,659,000 2004 Refunding	-	1,502,000	71,000
\$1,700,000 2006 Improvemen	-	1,700,000	53,000
Total Water Utility	-	3,202,000	124,000
Wastewater Utility			
Loans payable:			
2005 water pollution control facility upgrade	-	10,173,460	302,000
2006 water pollution control facility upgrade	-	54,511	-
Total Wastewater Utility	-	10,227,971	302,000
Total business-type activities long-term debt	\$ -	\$ 13,429,971	\$ 426,000

CITY OF COLUMBIA CITY
OTHER REPORT

The annual report presented herein was prepared in addition to the other official report prepared for the individual City offices listed below:

Municipal Utilities

CITY OF COLUMBIA CITY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balances of the Park and Recreation Nonreverting Fund, Police Pension Fund, Electric Operating Fund and Water Operating Fund were overdrawn in 2006. A similar comment was noted in prior Report B26888.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ECONOMIC DEVELOPMENT INCOME TAX DISTRIBUTIONS

A total of \$107,182 of economic development income tax distributions received during 2006 was receipted to the Capital Improvement Fund instead of the Economic Development Income Tax Fund. The Capital Improvement Fund also has a tax rate and is used to purchase equipment and pay for capital improvements.

Indiana Code 6-3.5-7-13.1(a) states in part: "The fiscal officer of each county, city, or town for a county in which the county economic development tax is imposed shall establish an economic development income tax fund. . . . the revenue received by a county, city, or town under this chapter shall be deposited in the unit's economic development income tax fund."

SALES TAX (PAID ON PURCHASES)

Sales tax was paid on numerous purchases. All of the credit card statements reviewed during the audit contained purchases that included sales tax. A similar comment was noted in prior Report B26888.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CREDIT CARD CLAIMS

Several items were noted during the review of City credit card claims paid during the audit period.

1. All six of the credit card claims reviewed were not accompanied by adequate supporting documentation for the various purchases and travel related expenses paid.
2. The total amount paid to Platinum Plus for Business for the City's credit card purchases during 2006 totaled \$55,059.
3. Various personal items were purchased with the City credit cards and subsequently paid directly by the City employee to Platinum Plus for Business.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF COLUMBIA CITY
AUDIT RESULTS AND COMMENTS
(Continued)

EXCESSIVE OR UNREASONABLE COSTS

The City has provided 58 cell phones for various employees of the City, including the City attorney, a maintenance employee and council members. The total amount paid to the wireless provider in 2006 totaled \$27,631.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FUND SOURCES AND USES

Funds were disbursed from the Park and Recreation Nonreverting Fund for operating expenses such as wages and utilities. In addition, a new fund (Information Services) was created during 2005 and an enabling ordinance has not been passed by Common Council.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY FUNDS USED FOR CITY EXPENSES

City Officials used municipal utility operating funds to pay for salaries and wages of City employees. The deputy clerk-treasurer, the information systems director, and city hall maintenance and custodial employees were paid entirely from utility operating funds. In addition, there were other City employees whose salaries and wages were partially paid from utility operating funds in a larger proportion than what their utility duties would indicate. A similar comment was noted in prior Report B26888.

Expenses paid from utility operating funds should be directly related to the operation of the municipally owned utility. Expenditures for City operating costs should not be paid from utility operating funds.

A municipal utility may establish a Cash Reserve Fund which permits transfer of surplus utility funds to the City general fund. After appropriation, such transferred funds may then be used for any legal general fund purpose. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Three City employees played in a golf outing sponsored by a Utility supplier. A review of the employees' time/attendance/service records for that same date indicated that there were eight hours worked with no time off. There was no indication that this was approved as a "city business function" by either the Mayor or Board of Works.

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)

CITY OF COLUMBIA CITY
AUDIT RESULTS AND COMMENTS
(Continued)

PROMOTIONAL EXPENSES

Promotional type expenses (service awards given to 15 City employees) totaling \$4,224 were paid during 2006. These expenses were posted to supply accounts within the general fund, motor vehicle highway fund and utility funds.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-7-2-7 allows cities and towns to promote economic development and tourism. Such statute replaced a prior law which authorized cities and towns to budget and appropriate funds from the general fund to pay the expense of, or to reimburse city or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. (Cities and Towns Bulletin, December 2005)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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 COLUMBIA CITY, WHITLEY COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Columbia City (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 its major federal program for the year ended December 31, 2006. The City's major federal program is 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 its major federal program 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.

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2006.

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.

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)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be 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

April 30, 2007

CITY OF COLUMBIA CITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

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 Housing and Community Development Authority Community Development Block Grants - State's Program	14.228	HD-004-008	\$ <u>50,970</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant Bulletproof Vest Partnership Program	16.607	FY2005	<u>3,720</u>
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0759	<u>6,550</u>
Total for federal grantor agency			<u>10,270</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	OP-06-02-05-40	<u>4,668</u>
Pass-Through Indiana Department of Natural Resources Recreational Trails Program	20.219	RT-01-001	<u>29,723</u>
Total for federal grantor agency			<u>34,391</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	WW0517922 WW05179202	3,649,536 <u>24,007</u>
Total for federal grantor agency			<u>3,673,543</u>
Total federal awards expended			<u>\$ <u>3,769,174</u></u>

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

CITY OF COLUMBIA CITY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Columbia City (City) 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 COLUMBIA CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

CITY OF COLUMBIA CITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CITY OF COLUMBIA CITY
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2007, with Rosie Coyle, Clerk-Treasurer; and Walter Crowder, President of the Common Council. The officials concurred with our audit findings.

The contents of this report were also discussed on April 30, 2007, with James R. Fleck, Mayor.