

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

ANNUAL FINANCIAL REPORT

2006

CITY OF WOODBURN

ALLEN COUNTY, INDIANA



FILED
10/25/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William D. Basting Vacant Lesa Meadows	01-01-04 to 07-17-06 07-18-06 to 08-20-06 08-21-06 to 12-31-07
Mayor	Richard A. Hoepner	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Richard A. Hoepner	01-01-04 to 12-31-07
President of the Common Council	Richard A. Hoepner	01-01-04 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF WOODBURN, ALLEN 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 Woodburn (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. 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.

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 required parts 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

September 12, 2007



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REPORT COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT

TO: THE OFFICIALS OF THE CITY OF WOODBURN, ALLEN COUNTY, INDIANA

In planning and performing our audit of the financial statements of the City of Woodburn (City) as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

STATE BOARD OF ACCOUNTS

September 12, 2007

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

Functions/Programs	Disbursements	Program Receipts		Primary Government		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 139,594	\$ 5,072	\$ 2,349	\$ (132,173)	\$ -	\$ (132,173)
Public safety	119,409	2,419	2,500	(114,490)	-	(114,490)
Highways and streets	173,670	2,698	78,855	(92,117)	-	(92,117)
Sanitation	56,630	63,380	-	6,750	-	6,750
Economic development	66,036	-	174,167	108,131	-	108,131
Interest on long-term debt	13,375	-	-	(13,375)	-	(13,375)
Disbursements charged to former official	69,727	-	-	(69,727)	-	(69,727)
Total governmental activities	638,441	73,569	257,871	(307,001)	-	(307,001)
Business-type activities:						
Water	308,914	278,639	-	-	(30,275)	(30,275)
Wastewater	210,689	198,678	-	-	(12,011)	(12,011)
Disbursements charged to former official	121,917	-	-	-	(121,917)	(121,917)
Total business-type activities	641,520	477,317	-	-	(164,203)	(164,203)
Total primary government	\$ 1,279,961	\$ 550,886	\$ 257,871	(307,001)	(164,203)	(471,204)

General receipts:				
Property taxes		144,970	-	144,970
Other state sources		21,226	-	21,226
Other local sources		75,031	-	75,031
Unrestricted investment earnings		8,575	16,820	25,395
Other		25,195	3,272	28,467
Special item:				
Reimbursements from former official		115,197	200,150	315,347
Transfers		(62,352)	62,352	-
Total general receipts, special items, and transfers		327,842	282,594	610,436
Change in net assets		20,841	118,391	139,232
Net assets - beginning		547,511	247,119	794,630
Net assets - ending		\$ 568,352	\$ 365,510	\$ 933,862

Assets

Cash and investments	\$ 150,625	\$ 93,278	\$ 243,903
Restricted assets:			
Cash and investments	417,727	272,232	689,959
Total assets	\$ 568,352	\$ 365,510	\$ 933,862

Net Assets

Restricted for:			
Public safety	\$ 4,696	\$ -	\$ 4,696
Highways and streets	110,712	-	110,712
Economic development	6,750	-	6,750
Sanitation	281,363	-	281,363
Debt service	14,206	181,197	195,403
Customer deposits	-	5,010	5,010
Capital asset expansion and replacement	-	86,025	86,025
Unrestricted	150,625	93,278	243,903
Total net assets	\$ 568,352	\$ 365,510	\$ 933,862

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

CITY OF WOODBURN
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	MVH	Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 107,359	\$ 26,600	\$ -	\$ 29,958	\$ 163,917
Licenses and permits	100	-	-	210	310
Intergovernmental	57,042	83,407	174,167	18,415	333,031
Charges for services	4,972	-	-	65,589	70,561
Fines and forfeits	2,349	-	-	-	2,349
Other	29,332	157	-	6,780	36,269
Total receipts	201,154	110,164	174,167	120,952	606,437
Disbursements:					
General government	130,109	-	-	9,485	139,594
Public safety	114,349	-	-	5,060	119,409
Highways and streets	24,396	97,332	-	51,942	173,670
Sanitation	-	-	-	56,630	56,630
Debt service:					
Principal	-	-	-	15,036	15,036
Interest	-	-	-	13,375	13,375
Capital outlay:					
Economic development	-	-	51,000	-	51,000
Total disbursements	268,854	97,332	51,000	151,528	568,714
Excess (deficiency) of receipts over disbursements	<u>(67,700)</u>	<u>12,832</u>	<u>123,167</u>	<u>(30,576)</u>	<u>37,723</u>
Other financing sources (uses)					
Transfers in	17,558	-	28,097	30,782	76,437
Transfers out	(5,361)	(19,095)	(87,236)	(27,097)	(138,789)
Reimbursements from former official	55,538	19,910	5,112	34,637	115,197
Disbursements charged to former official	(33,235)	(16,908)	-	(19,584)	(69,727)
Total other financing sources (uses)	34,500	(16,093)	(54,027)	18,738	(16,882)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(33,200)</u>	<u>(3,261)</u>	<u>69,140</u>	<u>(11,838)</u>	<u>20,841</u>
Cash and investment fund balance - beginning	<u>152,933</u>	<u>42,744</u>	<u>212,223</u>	<u>139,611</u>	<u>547,511</u>
Cash and investment fund balance - ending	<u>\$ 119,733</u>	<u>\$ 39,483</u>	<u>\$ 281,363</u>	<u>\$ 127,773</u>	<u>\$ 568,352</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ 119,733	\$ -	\$ -	\$ 30,892	\$ 150,625
Restricted assets:					
Cash and investments	-	39,483	281,363	96,881	417,727
Total cash and investment assets - December 31	\$ 119,733	\$ 39,483	\$ 281,363	\$ 127,773	\$ 568,352
Cash and Investment Fund Balance - December 31					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 4,696	\$ 4,696
Highways and streets	-	39,483	-	71,229	110,712
Economic development	-	-	281,363	-	281,363
Sanitation	-	-	-	6,750	6,750
Debt service	-	-	-	14,206	14,206
Unrestricted	119,733	-	-	30,892	150,625
Total cash and investment fund balance - December 31	\$ 119,733	\$ 39,483	\$ 281,363	\$ 127,773	\$ 568,352

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

CITY OF WOODBURN
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	Totals
Operating receipts:			
Measured revenue:			
Residential and commercial	\$ 255,822	\$ 191,569	\$ 447,391
Fire protection receipts	15,860	-	15,860
Penalties	2,907	3,109	6,016
Tap and reconnect fees	4,050	4,000	8,050
Customer deposits	1,653	-	1,653
Other	<u>1,257</u>	<u>362</u>	<u>1,619</u>
Total operating receipts	<u>281,549</u>	<u>199,040</u>	<u>480,589</u>
Operating disbursements:			
Equipment and capital improvements	2,355	2,355	4,710
Purchased power	14,668	3,854	18,522
Chemicals	723	1,697	2,420
Material and supplies	16,375	11,619	27,994
Contractual services	80,460	73,242	153,702
Repairs	21,424	3,641	25,065
Transportation disbursements	6,921	7,074	13,995
Administration and general:			
Salaries and wages	18,912	18,915	37,827
Employees pensions and benefits	1,480	1,480	2,960
Rents	6,000	6,000	12,000
Sales tax	14,375	-	14,375
Insurance premiums	8,378	7,207	15,585
Customer deposit refunds	200	-	200
Miscellaneous disbursements	<u>12,772</u>	<u>9,232</u>	<u>22,004</u>
Total operating disbursements	<u>205,043</u>	<u>146,316</u>	<u>351,359</u>
Excess of operating receipts over operating disbursements	<u>76,506</u>	<u>52,724</u>	<u>129,230</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	8,410	8,410	16,820
Reimbursements from former official	87,998	112,152	200,150
Debt service of principal	(51,043)	(36,043)	(87,086)
Interest and investment disbursement	(52,828)	(28,330)	(81,158)
Disbursements charged to former official	<u>(68,070)</u>	<u>(53,847)</u>	<u>(121,917)</u>
Total nonoperating receipts (disbursements)	<u>(75,533)</u>	<u>2,342</u>	<u>(73,191)</u>
Excess of receipts over disbursements and nonoperating receipts (disbursements)	973	55,066	56,039
Transfers in	<u>35,000</u>	<u>27,352</u>	<u>62,352</u>
Excess of receipts and transfers in over disbursements	35,973	82,418	118,391
Cash and investment fund balance - beginning	<u>104,969</u>	<u>142,150</u>	<u>247,119</u>
Cash and investment fund balance - ending	<u>\$ 140,942</u>	<u>\$ 224,568</u>	<u>\$ 365,510</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 34,408	\$ 58,870	\$ 93,278
Restricted assets:			
Cash and investments	<u>106,534</u>	<u>165,698</u>	<u>272,232</u>
Total cash and investment assets - December 31	<u>\$ 140,942</u>	<u>\$ 224,568</u>	<u>\$ 365,510</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 101,524	\$ 79,673	\$ 181,197
Customer deposits	5,010	-	5,010
Capital asset expansion and replacement	-	86,025	86,025
Unrestricted	<u>34,408</u>	<u>58,870</u>	<u>93,278</u>
Total cash and investment fund balance - December 31	<u>\$ 140,942</u>	<u>\$ 224,568</u>	<u>\$ 365,510</u>

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

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

	Agency Funds
Additions:	
Agency fund additions	\$ 39,636
Deductions:	
Agency fund deductions	40,263
Deficiency of total additions over total deductions	(627)
Cash and investment fund balance - beginning	673
Cash and investment fund balance - ending	\$ 46

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

CITY OF WOODBURN
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, public improvements, planning and zoning, general administrative services, water and wastewater.

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

Primary Government: City of Woodburn

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

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.

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, liabilities, 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 funds:

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 MVH (motor vehicle highway) fund is used to account for financial resources and expenses for construction, operation and maintenance of local and arterial roads and street system.

The economic development income tax fund is used to account for financial resources and expenses or projects related to county economic development income tax (CEDIT).

The City reports the following major proprietary funds:

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

CITY OF WOODBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Additionally, the City reports the following fund type:

Agency funds account for assets held by the City as an agent for employee payroll withholdings.

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.

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 between the utility funds and the governmental funds for goods or services received such as water and wastewater services provided. 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. The City does not have any internal service funds.

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.

CITY OF WOODBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

CITY OF WOODBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.
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.

CITY OF WOODBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2006
General	\$ (14,785)
MVH	(2,332)
Local Road and Street	(26,942)
Economic Development Income Tax	(51,000)
 Total	 \$ (95,059)

All of the disbursements in excess of appropriations were funded by available fund balance.

III. Detailed Notes on All Funds

A. 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. At December 31, 2006, the bank balance held at National City Bank in the amount of \$933,908 was insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

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

Transfer From	Transfer To	2006
General Fund	Economic Development Income Tax	\$ 1,000
	Other governmental	4,361
MVH	General Fund	17,558
	Other governmental	1,537
Economic Development Income Tax	Water Utility	27,352
	Wastewater Utility	35,000
	Other governmental	24,884
Other governmental	Economic Development Income Tax	27,097
 Total		 \$ 138,789

The City typically uses transfers for cash flow purposes as provided by various statutory provisions; however, most of the transfers for 2006 were to correct posting errors from the prior or current year.

CITY OF WOODBURN
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; 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

During 1993, the City joined with other governmental entities in the Indiana Public Employer's Plan Inc., a public entity risk pool currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses and injuries to employees. The City pays an annual premium to the risk pool for its coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Subsequent Events

Water and Wastewater Utility rates were approved for increase on June 18, 2007, by Ordinance No. G-07-1172 for the Water Utility and Ordinance No. G-07-1173 for the Wastewater Utility to be effective July 2007. The increase was a result of a rate study conducted for utility plant upgrades which have been mandated by IDEM.

C. Rate Structure – Enterprise Funds

Water Utility

On July 11, 1988, the City Council adopted Ordinance No. G-88-1029 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The rate structure for the reporting period was approved by the Council on April 21, 2003.

Wastewater Utility

The rate structure for the reporting period was approved by the City Council on August 29, 1994.

D. Accounts Receivable – Enterprise Funds

Water Utility

At December 31, 2006, the City has a customer accounts receivable balance of \$21,886 for the Water Utility.

CITY OF WOODBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility

At December 31, 2006, the City has a customer accounts receivable balance of \$16,565 for the Wastewater Utility.

E. Transactions Related to Charges in Prior Report

Financial statement disbursements identified as "Disbursements charged to former official" represent disbursements to fictitious vendors and other improper disbursements that were charged to the prior Clerk-Treasurer, William D. Basting, in the prior report. Financial statement receipts identified as "Reimbursements from former official" represent Mr. Basting's repayment of amounts charged in the prior report, plus interest charges and legal fees.

These amounts have been presented separately in the financial statements of the governmental funds and the enterprise funds, in order to distinguish this activity from the normal operating activity of the various funds involved.

"Disbursements charged to former official" of \$69,727, in the governmental funds, and \$121,917, in the enterprise funds, total \$191,644. "Reimbursements from former official" of \$115,197, in the governmental funds, and \$200,150, in the enterprise funds, total \$315,347. In addition to the reimbursement for improper disbursements made in 2006, this total also includes reimbursement for improper disbursements made in 2005, interest charges, legal fees and audit fees.

CITY OF WOODBURN
 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

	Local Road and Street	Donation	Law Enforcement Grant	Rainy Day	Law Enforcement Continuing Education
Receipts:					
Taxes	\$ 18,947	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	210
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	2,209
Other	-	-	-	-	-
Total receipts	18,947	-	-	-	2,419
Disbursements:					
General government	-	-	-	-	-
Public safety	-	-	-	-	300
Highways and streets	51,942	-	-	-	-
Sanitation	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total disbursements	51,942	-	-	-	300
Excess (deficiency) of receipts over disbursements	(32,995)	-	-	-	2,119
Other financing sources (uses)					
Transfers in	-	500	1,231	-	-
Transfers out	-	-	-	-	-
Fictitious reimbursements	5,366	-	-	-	-
Fictitious disbursements	(5,144)	-	-	-	-
Total other financing sources (uses)	222	500	1,231	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,773)	500	1,231	-	2,119
Cash and investment fund balance - beginning	46,102	(500)	(1,231)	6,814	1,790
Cash and investment fund balance - ending	<u>\$ 13,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,814</u>	<u>\$ 3,909</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ -	\$ -	\$ -	\$ 6,814	\$ -
Restricted assets:					
Cash and investments	13,329	-	-	-	3,909
Total cash and investment assets - December 31	<u>\$ 13,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,814</u>	<u>\$ 3,909</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 3,909
Highways and streets	13,329	-	-	-	-
Debt service	-	-	-	-	-
Sanitation	-	-	-	-	-
Unrestricted	-	-	-	6,814	-
Total cash and investment fund balance - December 31	<u>\$ 13,329</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,814</u>	<u>\$ 3,909</u>

CITY OF WOODBURN
 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)

	1992 Street Bond	Industrial Loan Repayment	Cumulative Capital Improvement	Cumulative Capital Development	Riverboat Wagering
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ 11,011	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	5,641	2,838	9,936
Charges for services	-	-	-	-	-
Other	-	4,270	-	-	-
Total receipts	-	4,270	5,641	13,849	9,936
Disbursements:					
General government	-	1,541	7,944	-	-
Public safety	-	-	-	-	4,438
Highways and streets	-	-	-	-	-
Sanitation	-	-	-	-	-
Debt service:					
Principal	-	15,036	-	-	-
Interest	-	13,375	-	-	-
Total disbursements	-	29,952	7,944	-	4,438
Excess (deficiency) of receipts over disbursements	-	(25,682)	(2,303)	13,849	5,498
Other financing sources (uses)					
Transfers in	3,336	24,884	-	831	-
Transfers out	-	-	-	-	-
Fictitious reimbursements	-	15,065	-	-	-
Fictitious disbursements	-	(14,440)	-	-	-
Total other financing sources (uses)	3,336	25,509	-	831	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,336	(173)	(2,303)	14,680	5,498
Cash and investment fund balance - beginning	(3,336)	173	27,941	17,582	18,580
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,638</u>	<u>\$ 32,262</u>	<u>\$ 24,078</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 24,078
Restricted assets:					
Cash and investments	-	-	25,638	32,262	-
Total cash and investment assets - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,638</u>	<u>\$ 32,262</u>	<u>\$ 24,078</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	25,638	32,262	-
Debt service	-	-	-	-	-
Sanitation	-	-	-	-	-
Unrestricted	-	-	-	-	24,078
Total cash and investment fund balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,638</u>	<u>\$ 32,262</u>	<u>\$ 24,078</u>

CITY OF WOODBURN
 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)

	Police Dog Donations	Havenwood Utilities Receivership	Loan and Interest Payment	Trash and Garbage Pickup	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 29,958
Licenses and permits	-	-	-	-	210
Intergovernmental	-	-	-	-	18,415
Charges for services	-	-	-	63,380	65,589
Other	2,500	10	-	-	6,780
Total receipts	2,500	10	-	63,380	120,952
Disbursements:					
General government	-	-	-	-	9,485
Public safety	322	-	-	-	5,060
Highways and streets	-	-	-	-	51,942
Sanitation	-	-	-	56,630	56,630
Debt service:					
Principal	-	-	-	-	15,036
Interest	-	-	-	-	13,375
Total disbursements	322	-	-	56,630	151,528
Excess (deficiency) of receipts over disbursements	2,178	10	-	6,750	(30,576)
Other financing sources (uses)					
Transfers in	-	-	-	-	30,782
Transfers out	-	(27,097)	-	-	(27,097)
Fictitious reimbursements	-	-	14,206	-	34,637
Fictitious disbursements	-	-	-	-	(19,584)
Total other financing sources (uses)	-	(27,097)	14,206	-	18,738
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,178	(27,087)	14,206	6,750	(11,838)
Cash and investment fund balance - beginning	(1,391)	27,087	-	-	139,611
Cash and investment fund balance - ending	<u>\$ 787</u>	<u>\$ -</u>	<u>\$ 14,206</u>	<u>\$ 6,750</u>	<u>\$ 127,773</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 30,892
Restricted assets:					
Cash and investments	787	-	14,206	6,750	96,881
Total cash and investment assets - December 31	<u>\$ 787</u>	<u>\$ -</u>	<u>\$ 14,206</u>	<u>\$ 6,750</u>	<u>\$ 127,773</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Public safety	\$ 787	\$ -	\$ -	\$ -	\$ 4,696
Highways and streets	-	-	-	-	71,229
Debt service	-	-	14,206	-	14,206
Sanitation	-	-	-	6,750	6,750
Unrestricted	-	-	-	-	30,892
Total cash and investment fund balance - December 31	<u>\$ 787</u>	<u>\$ -</u>	<u>\$ 14,206</u>	<u>\$ 6,750</u>	<u>\$ 127,773</u>

CITY OF WOODBURN
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended 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 since 2004 have been reported. Retroactive reporting of general infrastructure assets will not occur.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land held for resale	\$ 218,686
Infrastructure	19,079
Buildings	105,824
Improvements other than buildings	6,777
Machinery and equipment	<u>272,531</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 622,897</u>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 15,925
Buildings	189,107
Improvements other than buildings	2,709,529
Machinery and equipment	<u>98,089</u>
Total Water Utility capital assets	<u>3,012,650</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	34,696
Improvements other than buildings	1,802,036
Machinery and equipment	<u>114,049</u>
Total Wastewater Utility capital assets	<u>1,950,781</u>
Total business-type activities capital assets	<u>\$ 4,963,431</u>

CITY OF WOODBURN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
<u>Governmental activities:</u>		
Capital leases:		
2005 Police vehicle	\$ 12,282	\$ 4,980
2006 City/Utility vehicle (1/3 of vehicle)	5,596	1,749
Loan payable:		
2005 Loan payable	<u>179,728</u>	<u>16,107</u>
Total governmental activities long-term debt	<u>\$ 197,606</u>	<u>\$ 22,836</u>
<u>Business-type activities:</u>		
Water Utility		
Capital leases:		
2006 City/Utility vehicle (1/3 of vehicle)	\$ 5,596	\$ 1,749
Revenue bonds:		
2003 Water utility revenue bonds	<u>1,220,000</u>	<u>50,000</u>
Total Water Utility	<u>1,225,596</u>	<u>51,749</u>
Wastewater Utility		
Capital leases:		
2006 City/Utility vehicle (1/3 of vehicle)	5,597	1,750
Revenue bonds:		
1994 Wastewater utility revenue bonds	205,000	20,000
2002 Wastewater utility revenue bonds	<u>260,000</u>	<u>15,000</u>
Total Wastewater Utility	<u>470,597</u>	<u>36,750</u>
Total business-type activities long-term debt:	<u>\$ 1,696,193</u>	<u>\$ 88,499</u>

CITY OF WOODBURN
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The 2006 annual report was inaccurate and incomplete. Some beginning fund balances did not agree to prior year ending balances; the summary and detail schedules were not totaled; some funds were not included and some of the fund details were not included; as well as the receipt and disbursement detail for some funds did not agree to the control. Also, schedules for cash and investments, debt, capital assets, etc., were not included.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
General	\$ 14,785
MVH	2,332
Local Road and Street	26,942
Economic Development Income Tax	51,000

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CITY OF WOODBURN
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2007, with Lesa Meadows, Clerk-Treasurer; Richard A. Hoepfner, Mayor; James Norden, Council member; Robert E. Zimmerman, Council member; and Cindy Barhydt, Deputy Clerk-Treasurer. The officials concurred with our audit findings.