

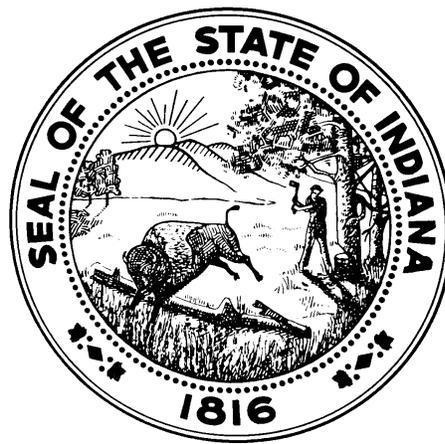
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2007

CITY OF COLUMBIA CITY

WHITLEY COUNTY, INDIANA



FILED
05/19/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosie Coyle	01-01-04 to 12-31-11
Mayor	James R. Fleck	01-01-04 to 12-31-11
President of the Board of Public Works and Safety	James R. Fleck	01-01-04 to 12-31-11
President of the Common Council	Walter Crowder	01-01-07 to 12-31-08
Superintendent of Water Utility	Michael Dear	01-01-07 to 12-31-08
Superintendent of Wastewater Utility	Howard Lowen Mike Cook	01-01-07 to 01-04-08 01-05-08 to 12-31-08
Superintendent of Electric Utility	Larry Whetstone	01-01-07 to 12-31-08



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 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, 2007, 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, 2007, 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 24, 2008, 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.

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

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.

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 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

April 24, 2008



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Fax: (317) 232-4711
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS 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 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, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 24, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 results 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 over financial reporting was for the limited purpose described in the first paragraph of this section 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 over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated April 24, 2008.

This report is intended solely for the information and use of the City's management, city council, 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 24, 2008

CITY OF COLUMBIA CITY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 2,027,440	\$ 375,009	\$ -	\$ -	\$ (1,652,431)	\$ -	\$ (1,652,431)
Public safety	1,691,152	13,698	-	-	(1,677,454)	-	(1,677,454)
Highways and streets	780,865	-	254,522	40,963	(485,380)	-	(485,380)
Sanitation	281,895	287,373	-	-	5,478	-	5,478
Health and welfare	12,998	5,770	-	-	(7,228)	-	(7,228)
Economic development	305,524	-	-	-	(305,524)	-	(305,524)
Culture and recreation	444,500	140,691	-	-	(303,809)	-	(303,809)
Urban redevelopment and housing	27,224	-	-	-	(27,224)	-	(27,224)
Principal and interest on indebtedness	235,175	-	-	-	(235,175)	-	(235,175)
Total governmental activities	5,806,773	822,541	254,522	40,963	(4,688,747)	-	(4,688,747)
Business-type activities:							
Water	2,520,586	1,626,619	-	-	-	(893,967)	(893,967)
Wastewater	2,430,204	3,406,711	-	-	-	976,507	976,507
Electric	8,874,035	8,676,643	-	-	-	(197,392)	(197,392)
Storm water	42,795	317,083	-	-	-	274,288	274,288
Total business-type activities	13,867,620	14,027,056	-	-	-	159,436	159,436
Total primary government	\$ 19,674,393	\$ 14,849,597	\$ 254,522	\$ 40,963	(4,688,747)	159,436	(4,529,311)
General receipts:							
Property taxes					1,875,122	-	1,875,122
Intergovernmental					1,652,966	-	1,652,966
Other local sources					1,057,645	-	1,057,645
Grants and contributions not restricted to specific programs					102,472	-	102,472
Investment earnings					77,702	229,355	307,057
Total general receipts					4,765,907	229,355	4,995,262
Change in net assets					77,160	388,791	465,951
Net assets - beginning					1,889,668	4,509,062	6,398,730
Net assets - ending					\$ 1,966,828	\$ 4,897,853	\$ 6,864,681
Assets							
Cash and investments					\$ 1,088,113	\$ 1,410,472	\$ 2,498,585
Restricted assets:							
Cash with fiscal agent					-	1,423,733	1,423,733
Cash and investments					878,715	2,063,648	2,942,363
Total assets					\$ 1,966,828	\$ 4,897,853	\$ 6,864,681
Net Assets							
Restricted for:							
General government					\$ 194,628	\$ -	\$ 194,628
Public safety					15,794	-	15,794
Highways and streets					23,109	-	23,109
Debt service					10,191	1,745,684	1,755,875
Capital outlay					634,993	-	634,993
Other purposes					-	1,741,697	1,741,697
Unrestricted					1,088,113	1,410,472	2,498,585
Total net assets					\$ 1,966,828	\$ 4,897,853	\$ 6,864,681

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, 2007

	General	Riverboat	Rainy Day	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 1,023,709	\$ -	\$ -	\$ 851,413	\$ 1,875,122
Special assessments	-	-	-	8,504	8,504
Licenses and permits	609	-	-	2,180	2,789
Intergovernmental	1,218,445	44,627	15,819	682,599	1,961,490
Charges for services	345,240	-	-	419,200	764,440
Fines and forfeits	752	-	-	7,905	8,657
Other	52,364	10,040	7,802	146,825	217,031
	<u>2,641,119</u>	<u>54,667</u>	<u>23,621</u>	<u>2,118,626</u>	<u>4,838,033</u>
Total receipts					
Disbursements:					
General government	972,013	-	-	153,078	1,125,091
Public safety	1,587,529	-	-	23,626	1,611,155
Highways and streets	-	-	-	660,425	660,425
Sanitation	-	-	-	281,895	281,895
Health and welfare	-	-	-	12,998	12,998
Economic development	-	-	-	189,816	189,816
Culture and recreation	-	-	-	386,997	386,997
Urban redevelopment and housing	-	-	-	27,224	27,224
Debt service:					
Principal	-	-	-	176,000	176,000
Interest	-	-	-	59,175	59,175
Capital outlay:					
Public safety	-	-	-	79,997	79,997
Highways and streets	-	-	-	120,440	120,440
Economic development	-	-	-	115,708	115,708
Culture and recreation	-	-	-	57,503	57,503
	<u>2,559,542</u>	<u>-</u>	<u>-</u>	<u>2,344,882</u>	<u>4,904,424</u>
Total disbursements					
Excess (deficiency) of receipts over disbursements	81,577	54,667	23,621	(226,256)	(66,391)
Cash and investment fund balance - beginning	<u>196,200</u>	<u>188,965</u>	<u>182,325</u>	<u>1,271,101</u>	<u>1,838,591</u>
Cash and investment fund balance - ending	<u>\$ 277,777</u>	<u>\$ 243,632</u>	<u>\$ 205,946</u>	<u>\$ 1,044,845</u>	<u>1,772,200</u>
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.					
					<u>194,628</u>
Net assets of governmental activities					<u>\$ 1,966,828</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 277,777	\$ 243,632	\$ 205,946	\$ 360,758	\$ 1,088,113
Restricted assets:					
Cash and investments	-	-	-	684,087	684,087
Total cash and investment assets - Ending	<u>\$ 277,777</u>	<u>\$ 243,632</u>	<u>\$ 205,946</u>	<u>\$ 1,044,845</u>	<u>\$ 1,772,200</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 15,794	\$ 15,794
Highways and streets	-	-	-	23,109	23,109
Debt service	-	-	-	10,191	10,191
Capital outlay	-	-	-	634,993	634,993
Unrestricted	<u>277,777</u>	<u>243,632</u>	<u>205,946</u>	<u>360,758</u>	<u>1,088,113</u>
Total cash and investment fund balance - Ending	<u>\$ 277,777</u>	<u>\$ 243,632</u>	<u>\$ 205,946</u>	<u>\$ 1,044,845</u>	<u>\$ 1,772,200</u>

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, 2007

	Water Utility	Wastewater Utility	Electric Utility	Storm Water Utility	Totals	Internal Service Funds
Operating receipts:						
Metered receipts: residential, commercial and industrial	\$ 1,058,679	\$ -	\$ 8,174,079	\$ -	\$ 9,232,758	\$ -
Measured receipts	-	3,235,514	-	316,982	3,552,496	-
Public street and highway lighting	-	-	91,940	-	91,940	-
Fire protection receipts	310,795	-	-	-	310,795	-
Employer/employee contributions	-	-	-	-	-	1,045,900
Miscellaneous	246,278	171,197	384,474	101	802,050	-
Total operating receipts	1,615,752	3,406,711	8,650,493	317,083	13,990,039	1,045,900
Operating disbursements:						
Equipment and capital improvements	978,686	107,779	74,627	-	1,161,092	-
Salaries and wages	469,885	508,522	872,170	-	1,850,577	-
Employee pensions and benefits	109,468	99,933	166,572	-	375,973	-
Purchased water	3,819	-	-	-	3,819	-
Purchased power	51,676	185,819	5,737,880	-	5,975,375	-
Sludge removal	-	234,788	-	-	234,788	-
Chemicals	3,651	46,748	-	-	50,399	-
Material and supplies	81,835	-	784,266	-	866,101	-
Contractual services	79,994	129,847	568,854	42,795	821,490	-
Rents	-	6,750	-	-	6,750	-
Transportation disbursements	16,618	57,741	-	-	74,359	-
Insurance disbursements	68,884	49,894	67,206	-	185,984	-
Insurance claims and expense	-	-	-	-	-	902,349
Miscellaneous disbursements	398,472	364,400	251,680	-	1,014,552	-
Total operating disbursements	2,262,988	1,792,221	8,523,255	42,795	12,621,259	902,349
Excess (deficiency) of operating receipts over operating disbursements	(647,236)	1,614,490	127,238	274,288	1,368,780	143,551
Nonoperating receipts (disbursements):						
Interest and investment receipts	68,109	83,091	55,999	22,156	229,355	-
Miscellaneous receipts	10,867	-	26,150	-	37,017	-
Debt service of principal	(123,000)	(302,000)	-	-	(425,000)	-
Interest disbursements	(132,928)	(189,405)	-	-	(322,333)	-
Miscellaneous disbursements	(1,670)	(146,578)	(350,780)	-	(499,028)	-
Total nonoperating receipts (disbursements)	(178,622)	(554,892)	(268,631)	22,156	(979,989)	-
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(825,858)	1,059,598	(141,393)	296,444	388,791	143,551
Cash and investment fund balance - beginning	1,816,432	1,262,116	1,117,275	313,239	4,509,062	51,077
Cash and investment fund balance - ending	\$ 990,574	\$ 2,321,714	\$ 975,882	\$ 609,683	\$ 4,897,853	\$ 194,628
Cash and Investment Assets - December 31						
Cash and investments	\$ (4,000)	\$ 493,722	\$ 311,067	\$ 609,683	\$ 1,410,472	\$ -
Restricted assets:						
Cash with fiscal agent	-	1,423,733	-	-	1,423,733	-
Cash and investments	994,574	404,259	664,815	-	2,063,648	194,628
Total cash and investment assets - December 31	\$ 990,574	\$ 2,321,714	\$ 975,882	\$ 609,683	\$ 4,897,853	\$ 194,628
Cash and Investment Fund Balance - December 31						
Restricted for:						
Debt service	\$ 321,951	\$ 1,423,733	\$ -	\$ -	\$ 1,745,684	\$ -
Other purposes	672,623	404,259	664,815	-	1,741,697	194,628
Unrestricted	(4,000)	493,722	311,067	609,683	1,410,472	-
Total cash and investment fund balance - December 31	\$ 990,574	\$ 2,321,714	\$ 975,882	\$ 609,683	\$ 4,897,853	\$ 194,628

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, 2007

	<u>Pension Trust Fund</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Additions:			
Contributions:			
Employer	\$ 84,849	\$ -	\$ -
State	106,008	-	-
Other	-	62,486	-
	<u>190,857</u>	<u>62,486</u>	<u>-</u>
Total contributions			
Agency fund additions	-	-	3,893,095
Total additions	<u>190,857</u>	<u>62,486</u>	<u>3,893,095</u>
Deductions:			
Benefits	192,088	-	-
Administrative and general	710	62,272	-
Agency fund deductions	-	-	3,898,049
	<u>192,798</u>	<u>62,272</u>	<u>3,898,049</u>
Total deductions			
Excess (deficiency) of total additions over total deductions	(1,941)	214	(4,954)
Cash and investment fund balance - beginning	<u>(30,793)</u>	<u>54,685</u>	<u>7,292</u>
Cash and investment fund balance - ending	<u>\$ (32,734)</u>	<u>\$ 54,899</u>	<u>\$ 2,338</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:

Component Unit	Description/Inclusion Criteria	Fund Included In
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 nonexchange 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 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 riverboat fund is used to account for riverboat tax revenue and may be used for any legal or corporate purpose of the city.

The rainy day fund is used to account for transfers of unused and unencumbered funds and may be used for the purposes as established by the local ordinance.

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.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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-in-lieu of taxes and other charges between the City and the enterprise funds. 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.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 COLUMBIA CITY
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 COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Cash and Investment Balance Deficits

At December 31, 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2007
Park and Recreation Nonreverting	\$ 120,270
Law Enforcement Continuing Education	827
Police Pension Trust	32,734
Water Utility Operating	4,000

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

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 City 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

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 City'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 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.

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.

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. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. 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 \$113,980.

C. Subsequent events

The wastewater utility has two projects under construction, the Wastewater WPCF upgrade and the Blue River Interceptor Sewer project. A total of \$16,677,761 has been expended through December 31, 2007. The wastewater utility anticipates borrowing an additional \$1,463,662 to complete the WPC upgrade and \$6,511,305 to complete the Blue River Interceptor Sewer project.

D. 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 one-half 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, 2007, disbursements of \$3,213 were recognized for postemployment benefits.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Loans Receivable – Housing Rehab Loans

Loans receivable activity for the year ended December 31, 2007, was as follows:

<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	\$ 16,157	\$ -	\$ 10,185	\$ 5,972
Housing Authority Grant II	11,935	-	2,803	9,132
Housing Authority Grant III	38,877	-	4,102	34,775
Housing Authority Grant IV	51,372	-	6,674	44,698
Revolving Loans	-	16,519	884	15,635
Totals	<u>\$ 118,341</u>	<u>\$ 16,519</u>	<u>\$ 24,648</u>	<u>\$ 110,212</u>

F. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Indiana Utility Regulatory Commission on August 22, 2007.

The Utility was granted approval by the Indiana Utility Regulatory Commission to increase rates. The increase became effective August 22, 2007, and amounted to approximately a 1.5% increase to all customers.

Wastewater Utility

The current rate structure was approved by the City Council on October 24, 2006.

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 City Council on July 25, 2006.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. 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.

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.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Actuarial Information for the Above Plans

	PERF	1925 Police Officers' Pension
Annual required contribution	\$ 143,556	\$ 171,900
Interest on net pension obligation	(19,489)	50,300
Adjustment to annual required contribution	22,209	(54,800)
Annual pension cost	146,276	167,400
Contributions made	160,216	111,302
Increase (decrease) in net pension obligation	(13,940)	56,098
Net pension obligation, beginning of year	(268,809)	745,033
Net pension obligation, end of year	\$ (282,749)	\$ 801,131

	PERF	1925 Police Officers' Pension
Contribution rates:		
City	6.75%	N/A
Plan members	3%	none
Actuarial valuation date	07-01-06	01-01-06
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

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

<u>Actuarial Assumptions</u>	<u>PERF</u>	<u>1925 Police Officers' Pension</u>
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

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-04	\$ 122,355	145%	\$ (209,475)
	06-30-05	107,173	155%	(268,809)
	06-30-06	146,276	110%	(282,749)
1925 Police Officers' Pension Plan	12-31-03	248,400	58%	644,296
	12-31-04	253,500	60%	745,033
	12-31-05	167,400	66%	801,131

Membership in the 1925 Police Officers' Pension Plan at January 1, 2007, was comprised of the following:

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

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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, 2007, 2006, and 2005, were \$206,176, \$196,899, and \$179,494, 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)
07-01-04	\$ 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%)
07-01-06	2,375,253	2,935,928	(560,675)	81%	2,240,878	(25%)

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)
01-01-01	\$ 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
01-01-06	49,751	2,404,700	(2,354,949)	2%	-	N/A

N/A - Not applicable

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

<u>1925 Police Officers' Pension Plan</u>					
	<u>Year Ending</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>		
1925 Police Officers' Pension Plan	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%		
	12-31-05	171,900	65%		

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, 2007

	Motor Vehicle Highway	Local Road and Street	Cemetery	Parking Meter	Park and Recreation Nonreverting	Economic Development Redevelopment
Receipts:						
Taxes	\$ 135,768	\$ -	\$ -	\$ -	\$ -	\$ 25,506
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	309,554	40,963	-	-	-	3,277
Charges for services	1,440	-	13,970	-	112,878	-
Fines and forfeits	-	-	-	5,317	-	-
Other	23,083	-	-	-	14,648	-
Total receipts	<u>469,845</u>	<u>40,963</u>	<u>13,970</u>	<u>5,317</u>	<u>127,526</u>	<u>28,783</u>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	4,125	-	-
Highways and streets	612,025	48,400	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	12,998	-	-	-
Economic development	-	-	-	-	-	5,189
Culture and recreation	-	-	-	-	135,105	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Highways and streets	-	10,000	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	<u>612,025</u>	<u>58,400</u>	<u>12,998</u>	<u>4,125</u>	<u>135,105</u>	<u>5,189</u>
Excess (deficiency) of receipts over disbursements	(142,180)	(17,437)	972	1,192	(7,579)	23,594
Cash and investment fund balance - beginning	<u>253,941</u>	<u>40,546</u>	<u>24,192</u>	<u>7,508</u>	<u>(112,691)</u>	<u>9,561</u>
Cash and investment fund balance - ending	<u>\$ 111,761</u>	<u>\$ 23,109</u>	<u>\$ 25,164</u>	<u>\$ 8,700</u>	<u>\$ (120,270)</u>	<u>\$ 33,155</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 111,761	\$ -	\$ 25,164	\$ 8,700	\$ (120,270)	\$ 33,155
Restricted assets:						
Cash and investments	-	23,109	-	-	-	-
Total cash and investment assets - ending	<u>\$ 111,761</u>	<u>\$ 23,109</u>	<u>\$ 25,164</u>	<u>\$ 8,700</u>	<u>\$ (120,270)</u>	<u>\$ 33,155</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	23,109	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	<u>111,761</u>	<u>-</u>	<u>25,164</u>	<u>8,700</u>	<u>(120,270)</u>	<u>33,155</u>
Total cash and investment fund balance - ending	<u>\$ 111,761</u>	<u>\$ 23,109</u>	<u>\$ 25,164</u>	<u>\$ 8,700</u>	<u>\$ (120,270)</u>	<u>\$ 33,155</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, 2008
 (Continued)

	Solid Waste	Federal Equitable Sharing	Housing Grant No. 3	Law Enforcement Continuing Education	Enhanced 911	Park and Recreation
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,969
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	2,180	-	-
Intergovernmental	-	-	-	-	10,303	24,404
Charges for services	287,373	-	-	3,452	-	-
Fines and forfeits	-	-	-	2,448	-	-
Other	3,810	3	17,045	1,649	1,200	456
Total receipts	291,183	3	17,045	9,729	11,503	214,829
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	-	12,198	3,804	-
Highways and streets	-	-	-	-	-	-
Sanitation	281,895	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	251,736
Urban redevelopment and housing	-	-	27,224	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	281,895	-	27,224	12,198	3,804	251,736
Excess (deficiency) of receipts over disbursements	9,288	3	(10,179)	(2,469)	7,699	(36,907)
Cash and investment fund balance - beginning	86,787	93	56,001	1,642	8,095	44,832
Cash and investment fund balance - ending	<u>\$ 96,075</u>	<u>\$ 96</u>	<u>\$ 45,822</u>	<u>\$ (827)</u>	<u>\$ 15,794</u>	<u>\$ 7,925</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 96,075	\$ 96	\$ 45,822	\$ (827)	\$ -	\$ 7,925
Restricted assets:						
Cash and investments	-	-	-	-	15,794	-
Total cash and investment assets - ending	<u>\$ 96,075</u>	<u>\$ 96</u>	<u>\$ 45,822</u>	<u>\$ (827)</u>	<u>\$ 15,794</u>	<u>\$ 7,925</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 15,794	\$ -
Highways and streets	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	96,075	96	45,822	(827)	-	7,925
Total cash and investment fund balance - ending	<u>\$ 96,075</u>	<u>\$ 96</u>	<u>\$ 45,822</u>	<u>\$ (827)</u>	<u>\$ 15,794</u>	<u>\$ 7,925</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, 2008
 (Continued)

	Fire Violations	Hazardous Material Response	Police Operation Pullover Grant	Bicentennial Committee	Information Services	Housing Grant
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	2,736	-	-	-
Charges for services	-	87	-	-	-	-
Fines and forfeits	140	-	-	-	-	-
Other	-	-	-	-	46,151	2,567
Total receipts	140	87	2,736	-	46,151	2,567
Disbursements:						
General government	-	-	-	-	45,098	-
Public safety	-	-	3,499	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	-	3,499	-	45,098	-
Excess (deficiency) of receipts over disbursements	140	87	(763)	-	1,053	2,567
Cash and investment fund balance - beginning	550	159	1,161	697	5,940	8,515
Cash and investment fund balance - ending	<u>\$ 690</u>	<u>\$ 246</u>	<u>\$ 398</u>	<u>\$ 697</u>	<u>\$ 6,993</u>	<u>\$ 11,082</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 690	\$ 246	\$ 398	\$ 697	\$ 6,993	\$ 11,082
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 690</u>	<u>\$ 246</u>	<u>\$ 398</u>	<u>\$ 697</u>	<u>\$ 6,993</u>	<u>\$ 11,082</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	690	246	398	697	6,993	11,082
Total cash and investment fund balance - ending	<u>\$ 690</u>	<u>\$ 246</u>	<u>\$ 398</u>	<u>\$ 697</u>	<u>\$ 6,993</u>	<u>\$ 11,082</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, 2008
 (Continued)

	Fire Equipment Bond	Debt Service Hazardous Waste	Cumulative Capital Improvement	Cumulative Capital Development	Park Capital Outlay	Cumulative Bridge and Street
Receipts:						
Taxes	\$ 102,292	\$ 86,881	\$ -	\$ 76,519	\$ -	\$ 71,471
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	13,141	11,160	24,857	9,830	-	9,183
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	332	-	-	-	6,542
Total receipts	115,433	98,373	24,857	86,349	-	87,196
Disbursements:						
General government	-	-	24,980	83,000	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	156	-
Urban redevelopment and housing	-	-	-	-	-	-
Debt service:						
Principal	71,000	105,000	-	-	-	-
Interest	45,950	13,225	-	-	-	-
Capital outlay:						
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	100,420
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	116,950	118,225	24,980	83,000	156	100,420
Excess (deficiency) of receipts over disbursements	(1,517)	(19,852)	(123)	3,349	(156)	(13,224)
Cash and investment fund balance - beginning	10,897	20,663	582	10,407	156	176,146
Cash and investment fund balance - ending	<u>\$ 9,380</u>	<u>\$ 811</u>	<u>\$ 459</u>	<u>\$ 13,756</u>	<u>\$ -</u>	<u>\$ 162,922</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ 459	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	9,380	811	-	13,756	-	162,922
Total cash and investment assets - ending	\$ 9,380	\$ 811	\$ 459	\$ 13,756	\$ -	\$ 162,922
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways and streets	-	-	-	-	-	-
Debt service	9,380	811	-	-	-	-
Capital outlay	-	-	-	13,756	-	162,922
Unrestricted	-	-	459	-	-	-
Total cash and investment fund balance - ending	\$ 9,380	\$ 811	\$ 459	\$ 13,756	\$ -	\$ 162,922

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, 2008
 (Continued)

	Cumulative Fire Special	Cumulative Park and Recreation	General Improvement	CIP Community Development	Tax Increment Financing Redevelopment	Totals
Receipts:						
Taxes	\$ 51,012	\$ 25,507	\$ -	\$ 52,341	\$ 34,147	\$ 851,413
Special assessments	-	-	8,504	-	-	8,504
Licenses and permits	-	-	-	-	-	2,180
Intergovernmental	6,554	3,276	-	213,361	-	682,599
Charges for services	-	-	-	-	-	419,200
Fines and forfeits	-	-	-	-	-	7,905
Other	8,817	4,454	-	9,740	6,328	146,825
Total receipts	66,383	33,237	8,504	275,442	40,475	2,118,626
Disbursements:						
General government	-	-	-	-	-	153,078
Public safety	-	-	-	-	-	23,626
Highways and streets	-	-	-	-	-	660,425
Sanitation	-	-	-	-	-	281,895
Health and welfare	-	-	-	-	-	12,998
Economic development	-	-	-	179,196	5,431	189,816
Culture and recreation	-	-	-	-	-	386,997
Urban redevelopment and housing	-	-	-	-	-	27,224
Debt service:						
Principal	-	-	-	-	-	176,000
Interest	-	-	-	-	-	59,175
Capital outlay:						
Public safety	79,997	-	-	-	-	79,997
Highways and streets	-	-	10,020	-	-	120,440
Economic development	-	-	-	115,708	-	115,708
Culture and recreation	-	57,503	-	-	-	57,503
Total disbursements	79,997	57,503	10,020	294,904	5,431	2,344,882
Excess (deficiency) of receipts over disbursements	(13,614)	(24,266)	(1,516)	(19,462)	35,044	(226,256)
Cash and investment fund balance - beginning	179,298	87,763	16,759	233,353	97,548	1,271,101
Cash and investment fund balance - ending	\$ 165,684	\$ 63,497	\$ 15,243	\$ 213,891	\$ 132,592	\$ 1,044,845
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 132,592	\$ 360,758
Restricted assets:						
Cash and investments	165,684	63,497	15,243	213,891	-	684,087
Total cash and investment assets - ending	\$ 165,684	\$ 63,497	\$ 15,243	\$ 213,891	\$ 132,592	\$ 1,044,845
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,794
Highways and streets	-	-	-	-	-	23,109
Debt service	-	-	-	-	-	10,191
Capital outlay	165,684	63,497	15,243	213,891	-	634,993
Unrestricted	-	-	-	-	132,592	360,758
Total cash and investment fund balance - ending	\$ 165,684	\$ 63,497	\$ 15,243	\$ 213,891	\$ 132,592	\$ 1,044,845

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, 2007

	<u>Cemetery Endowment</u>	<u>Park Donation</u>	<u>Donation</u>	<u>Totals</u>
Additions:				
Contributions:				
Other	\$ 1,680	\$ 52,275	\$ 8,531	\$ 62,486
Deductions:				
Administrative and general	7,218	48,475	6,579	62,272
Excess (deficiency) of total additions over total deductions	(5,538)	3,800	1,952	214
Cash and investment fund balance - beginning	22,893	8,561	23,231	54,685
Cash and investment fund balance - ending	<u>\$ 17,355</u>	<u>\$ 12,361</u>	<u>\$ 25,183</u>	<u>\$ 54,899</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, 2007

	<u>Payroll</u>	<u>Sales Tax</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 3,892,730	\$ 365	\$ 3,893,095
Deductions:			
Agency fund deductions	<u>3,897,720</u>	<u>329</u>	<u>3,898,049</u>
Excess (deficiency) of total additions over total deductions	(4,990)	36	(4,954)
Cash and investment fund balance - beginning	<u>7,290</u>	<u>2</u>	<u>7,292</u>
Cash and investment fund balance - ending	<u>\$ 2,300</u>	<u>\$ 38</u>	<u>\$ 2,338</u>

CITY OF COLUMBIA CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For the Year Ended December 31, 2007

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 are to be included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was not able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost. Infrastructure has only been reported since 2003.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 88,675
Infrastructure	527,442
Buildings	2,111,193
Improvements other than buildings	1,252,484
Machinery and equipment	<u>3,064,252</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 7,044,046</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 7,654
Capital assets, being depreciated:	
Buildings	1,587,879
Improvements other than buildings	6,104,566
Machinery and equipment	<u>474,862</u>
Total Water Utility capital assets	<u>8,174,961</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	23,396
Construction in progress	16,677,761
Capital assets, being depreciated:	
Buildings	1,304,341
Improvements other than buildings	9,265,095
Machinery and equipment	<u>848,431</u>
Total Wastewater Utility capital assets	<u>28,119,024</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	223,573
Capital assets, being depreciated:	
Buildings	1,545,264
Improvements other than buildings	9,383,122
Machinery and equipment	<u>1,662,734</u>
Total Electric Utility capital assets	<u>12,814,693</u>
Storm Water Utility:	
Capital assets, not being depreciated:	
Construction in progress	<u>31,182</u>
Total business-type activities capital assets	<u>\$ 49,139,860</u>

CITY OF COLUMBIA CITY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
City hall	\$ 736,000	\$ 121,035
Bonds payable:		
General obligation bonds:		
\$1,145,000 2001 fire station renovations	799,000	117,069
\$1,085,000 1994 hazardous waste site	<u>110,000</u>	<u>3,410</u>
Total governmental activities long-term debt	<u>\$ 1,645,000</u>	<u>\$ 241,514</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
\$1,659,000 2004 refunding	\$ 1,432,000	\$ 142,388
\$1,700,000 2006 improvement	<u>1,647,000</u>	<u>129,485</u>
Total Water Utility	<u>3,079,000</u>	<u>271,873</u>
Wastewater Utility		
Loans payable:		
2005 water pollution control facility upgrade	14,905,338	
2006 water pollution control facility upgrade	<u>362,733</u>	<u>-</u>
Total Wastewater Utility	<u>15,268,071</u>	<u>-</u>
Total business-type activities long-term debt	<u>\$ 18,347,071</u>	<u>\$ 271,873</u>

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 balance of the Park and Recreation Nonreverting Fund was overdrawn \$120,270, the Water Utility Operating Fund was overdrawn \$4,000, and the Police Pension Trust Fund was overdrawn \$32,734 in 2007. A similar comment appeared in prior Report B29876.

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 \$206,638 of economic development income tax distributions received during 2007 was receipted to the CIP Community Development Fund instead of an Economic Development Income Tax Fund. The CIP Community Development Fund also has a tax rate and is used to purchase equipment and pay for capital improvements. A similar comment appeared in prior Report B29876.

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."

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)

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 amount paid to the wireless providers in 2007 totaled \$29,813. The City also purchased cell phones and cell phone accessories in 2007 that totaled \$11,410. Cell phones purchased ranged in price from \$199 to \$349. A similar comment appeared in prior Report B29876.

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)

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 almost 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. There were also Utility purchases that were not related to the operation of the utilities, such as video equipment for the City Communications department. A similar comment appeared in prior Report B29876.

CITY OF COLUMBIA CITY
AUDIT RESULTS AND COMMENTS
(Continued)

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)

CAPITAL ASSET RECORDS

The City was required to retro-actively record infrastructure but failed to do so. General infrastructure assets were to be recorded if they were acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The City was not able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (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. A similar comment appeared in prior Report B29876.

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)

FUNDRAISING EVENT LOSSES

The Park Department held two fund raising events during 2007 that lost money. The splash pad fundraiser lost \$361 and the fireworks fundraiser lost \$292. Park Board minutes presented for audit did not indicate any control procedures or a system of accounting for the fundraisers. Supporting documentation (tickets sold and unused tickets) was not retained for audit.

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)

Governmental units which conduct fund raising events should have the express permission of the governing body for conducting the fund raiser as well as procedures in place concerning the internal controls and the responsibility of employees or officials. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF COLUMBIA CITY
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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, 2007. 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 of America; 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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)

A control deficiency in a City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section 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 over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the City's management, city council, 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 24, 2008

CITY OF COLUMBIA CITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Year Ended December 31, 2007

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 Office of Community and Rural Affairs Community Development Block Grants - State's Program	14.228	PL-06-008	\$ 21,870
<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-07-01-01-54	3,686
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW0517922 WW0503921	2,126,298 159,506
Total for federal grantor agency			2,285,804
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	EM 3274	9,387
Total federal awards expended			\$ 2,320,747

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 Program:

CFDA Number	Name of Federal Program or Cluster
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66.458	Capitalization Grants for Clean Water State Revolving Funds
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

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 24, 2008, with Rosie Coyle, Clerk-Treasurer; James R. Fleck, Mayor; and Walter Crowder, President of the Common Council.