

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF COLUMBIA CITY
WHITLEY COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
11/27/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Rosie M. Coyle	01-01-12 to 12-31-19
Mayor	Ryan L. Daniel	01-01-12 to 12-31-19
President of the Board of Public Works and Safety	Ryan L. Daniel	01-01-12 to 12-31-19
President Pro Tempore of the Common Council	Daniel L. Weigold Walter C. Crowder	01-01-15 to 12-31-15 01-01-16 to 12-31-18



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the City of Columbia City (City), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2015.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 26, 2018, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

November 26, 2018



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 INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, 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, the financial statement of the City of Columbia City (City), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated November 26, 2018, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, 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 deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a material weakness.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the City's financial statement is 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001.

City of Columbia City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 26, 2018

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF COLUMBIA CITY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2015

Fund	Cash and Investments			Cash and Investments
	01-01-15	Receipts	Disbursements	
General	\$ (11,951)	\$ 3,197,830	\$ 3,212,982	\$ (27,103)
Motor Vehicle Highway	65,330	577,692	496,947	146,075
Local Road and Street	2,070	43,269	42,248	3,091
Parking Meter	15,841	2,861	7,533	11,169
Fire Violations	123	23	-	146
Park and Recreation Non Reverting	(15,503)	196,987	205,605	(24,121)
Economic Dev - Redevelop	22,906	-	15,266	7,640
Sanitation	73,248	317,549	306,046	84,751
Housing Authority	139,935	3,769	18,238	125,466
Law Enforcement Training	16,448	10,582	7,065	19,965
Riverboat Gambling	173,037	54,256	219,771	7,522
Emergency Telephone System	(1,263)	11,156	11,827	(1,934)
Park and Recreation	(11,846)	355,611	350,259	(6,494)
Rainy Day	955,396	530	71,550	884,376
EDIT (CIP) Com. Development	435,351	659,155	848,029	246,477
Hazardous Material Response	862	6	-	868
Federal Equitable Sharing	96	-	-	96
Cumulative Capital Improvement	28,343	21,978	42,683	7,638
Cumulative Capital Development	188,372	129,179	102,018	215,533
Cumulative Bridge and Street	228,489	258,799	146,672	340,616
Cumulative Fire Spec	370,222	95,474	394,909	70,787
Cumulative Park and Recreation	16,710	43,398	50,956	9,152
General Improvement	11,425	1,765	2,241	10,949
TIF Redevelopment	30,484	35,365	24,773	41,076
Information Services	20,811	54,800	40,630	34,981
Group Insurance	45,323	1,718,909	1,767,883	(3,651)
Police Pension	226,907	183,483	180,579	229,811
Sales Tax	272	279	273	278
Cemetery	24,464	15,360	24,633	15,191
Bicentennial Committee	697	-	-	697
Police OPO Grant	211	-	-	211
Revolving Loan - Redevelopment	61,253	31,220	-	92,473
Wayne Waste Financial Assurance	13,470	55,000	67,462	1,008
Fire Equipment Bond	50,195	131,993	119,681	62,507
Group Insurance - Retiree	60,706	28,006	-	88,712
Cemetery Endowment	18,109	240	-	18,349
Park Donation	29,951	124,092	125,124	28,919
Donation	397,096	47,599	402,453	42,242
Payroll Clearing Account	1,006	4,598,622	4,598,061	1,567
Electric Operating	1,832,405	13,382,118	14,886,861	327,662
Electric Meter Deposit	245,830	31,125	26,470	250,485
Electric Depreciation	307,658	1,200,000	820,968	686,690
Electric Cash Reserve	385,391	974,037	127,007	1,232,421
Storm Water	327,158	754,901	700,660	381,399
WPC Debt Reserve	1,688,583	60,118	-	1,748,701
WPC Sinking	980,925	1,816,457	1,816,821	980,561
Water Pollution Control	(266,301)	4,296,964	4,042,217	(11,554)
WPC Improvement	121,954	50,000	172,930	(976)
WPC Cash Reserve	8,856	275,000	252,000	31,856
Water Bond and Interest	103,339	405,794	403,195	105,938
Water Debt Reserve	341,122	33,667	-	374,789
Water Construction Fund	708,091	-	185,014	523,077
Water Cash Reserve	40,188	150,000	71,000	119,188
Water Operating	94,649	1,999,828	2,198,902	(104,425)
Water Meter Deposits	46,015	4,300	2,390	47,925
Water Depreciation	62,733	150,000	145,278	67,455
Totals	\$ 10,713,192	\$ 38,591,146	\$ 39,756,110	\$ 9,548,228

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

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENT

Note 1. 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 some or all of 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, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits. Amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The City may be 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; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of fund disbursements exceeding receipts and insufficient water and wastewater revenues to cover operating expenses.

Note 8. Other Postemployment Benefits

The City provides health insurance benefits to eligible retirees and their spouses. These benefits pose a liability to the City for this year and in future years. Information regarding the benefits can be obtained by contacting the City.

OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the City's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the City. It is presented as intended by the City.

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	General	Motor Vehicle Highway	Local Road and Street	Parking Meter	Fire Violations	Park and Recreation Non Reverting
Cash and investments - beginning	\$ (11,951)	\$ 65,330	\$ 2,070	\$ 15,841	\$ 123	\$ (15,503)
Receipts:						
Taxes	1,252,563	192,807	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	1,822,434	380,599	43,269	-	-	-
Charges for services	19,800	4,241	-	2,861	-	65,832
Fines and forfeits	51,492	-	-	-	23	-
Utility fees	-	-	-	-	-	-
Other receipts	51,541	45	-	-	-	131,155
Total receipts	3,197,830	577,692	43,269	2,861	23	196,987
Disbursements:						
Personal services	2,584,167	320,741	-	-	-	42,553
Supplies	143,827	97,378	-	6,912	-	91,100
Other services and charges	467,484	78,828	42,248	621	-	71,952
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	17,504	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	3,212,982	496,947	42,248	7,533	-	205,605
Excess (deficiency) of receipts over disbursements	(15,152)	80,745	1,021	(4,672)	23	(8,618)
Cash and investments - ending	\$ (27,103)	\$ 146,075	\$ 3,091	\$ 11,169	\$ 146	\$ (24,121)

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Economic Dev - Redevelop	Sanitation	Housing Authority	Law Enforcement Training	Riverboat Gambling	Emergency Telephone System
Cash and investments - beginning	\$ 22,906	\$ 73,248	\$ 139,935	\$ 16,448	\$ 173,037	\$ (1,263)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	3,680	-	-
Intergovernmental receipts	-	-	-	-	51,834	-
Charges for services	-	317,549	-	3,887	-	11,156
Fines and forfeits	-	-	-	2,374	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	3,769	641	2,422	-
Total receipts	-	317,549	3,769	10,582	54,256	11,156
Disbursements:						
Personal services	-	-	-	-	-	11,827
Supplies	-	-	-	3,480	-	-
Other services and charges	15,266	306,046	18,238	3,460	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	125	219,771	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	15,266	306,046	18,238	7,065	219,771	11,827
Excess (deficiency) of receipts over disbursements	(15,266)	11,503	(14,469)	3,517	(165,515)	(671)
Cash and investments - ending	\$ 7,640	\$ 84,751	\$ 125,466	\$ 19,965	\$ 7,522	\$ (1,934)

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Park and Recreation	Rainy Day	EDIT (CIP) Com. Development	Hazardous Material Response	Federal Equitable Sharing	Cumulative Capital Improvement
Cash and investments - beginning	\$ (11,846)	\$ 955,396	\$ 435,351	\$ 862	\$ 96	\$ 28,343
Receipts:						
Taxes	317,789	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	37,821	-	340,577	-	-	21,978
Charges for services	-	-	-	6	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1	530	318,578	-	-	-
Total receipts	355,611	530	659,155	6	-	21,978
Disbursements:						
Personal services	256,606	-	-	-	-	-
Supplies	12,805	-	65,693	-	-	-
Other services and charges	80,848	71,550	38,970	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	743,366	-	-	42,683
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	350,259	71,550	848,029	-	-	42,683
Excess (deficiency) of receipts over disbursements	5,352	(71,020)	(188,874)	6	-	(20,705)
Cash and investments - ending	\$ (6,494)	\$ 884,376	\$ 246,477	\$ 868	\$ 96	\$ 7,638

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Cumulative Capital Development	Cumulative Bridge and Street	Cumulative Fire Spec	Cumulative Park and Recreation	General Improvement	TIF Redevelopment
Cash and investments - beginning	\$ 188,372	\$ 228,489	\$ 370,222	\$ 16,710	\$ 11,425	\$ 30,484
Receipts:						
Taxes	115,451	231,140	76,892	38,792	-	35,365
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	13,728	27,511	9,152	4,604	-	-
Charges for services	-	-	-	-	1,765	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	148	9,430	2	-	-
Total receipts	<u>129,179</u>	<u>258,799</u>	<u>95,474</u>	<u>43,398</u>	<u>1,765</u>	<u>35,365</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	9,014	69,170	-	26,326	-	24,773
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	93,004	77,502	394,909	24,630	2,241	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>102,018</u>	<u>146,672</u>	<u>394,909</u>	<u>50,956</u>	<u>2,241</u>	<u>24,773</u>
Excess (deficiency) of receipts over disbursements	<u>27,161</u>	<u>112,127</u>	<u>(299,435)</u>	<u>(7,558)</u>	<u>(476)</u>	<u>10,592</u>
Cash and investments - ending	<u>\$ 215,533</u>	<u>\$ 340,616</u>	<u>\$ 70,787</u>	<u>\$ 9,152</u>	<u>\$ 10,949</u>	<u>\$ 41,076</u>

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Information Services	Group Insurance	Police Pension	Sales Tax	Cemetery	Bicentennial Committee
Cash and investments - beginning	\$ 20,811	\$ 45,323	\$ 226,907	\$ 272	\$ 24,464	\$ 697
Receipts:						
Taxes	-	-	-	279	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	15,360	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	54,800	1,718,909	183,483	-	-	-
Total receipts	54,800	1,718,909	183,483	279	15,360	-
Disbursements:						
Personal services	-	-	180,579	-	3,726	-
Supplies	-	-	-	-	3,881	-
Other services and charges	17,506	1,767,883	-	273	17,026	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	23,124	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	40,630	1,767,883	180,579	273	24,633	-
Excess (deficiency) of receipts over disbursements	14,170	(48,974)	2,904	6	(9,273)	-
Cash and investments - ending	\$ 34,981	\$ (3,651)	\$ 229,811	\$ 278	\$ 15,191	\$ 697

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Police OPO Grant	Revolving Loan - Redevelopment	Wayne Waste Financial Assurance	Fire Equipment Bond	Group Insurance - Retiree	Cemetery Endowment
Cash and investments - beginning	\$ 211	\$ 61,253	\$ 13,470	\$ 50,195	\$ 60,706	\$ 18,109
Receipts:						
Taxes	-	-	-	118,651	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	13,342	-	-
Charges for services	-	-	-	-	-	240
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	31,220	55,000	-	28,006	-
Total receipts	-	31,220	55,000	131,993	28,006	240
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	119,681	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	67,462	-	-	-
Total disbursements	-	-	67,462	119,681	-	-
Excess (deficiency) of receipts over disbursements	-	31,220	(12,462)	12,312	28,006	240
Cash and investments - ending	\$ 211	\$ 92,473	\$ 1,008	\$ 62,507	\$ 88,712	\$ 18,349

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Park Donation	Donation	Payroll Clearing Account	Electric Operating	Electric Meter Deposit	Electric Depreciation
Cash and investments - beginning	\$ 29,951	\$ 397,096	\$ 1,006	\$ 1,832,405	\$ 245,830	\$ 307,658
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	3,000	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	11,521,243	31,125	-
Other receipts	124,092	44,599	4,598,622	1,860,875	-	1,200,000
Total receipts	124,092	47,599	4,598,622	13,382,118	31,125	1,200,000
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	3,755	-	-	-	-
Other services and charges	125,124	398,698	-	-	-	-
Debt service - principal and interest	-	-	-	62,021	-	-
Capital outlay	-	-	-	22	-	820,968
Utility operating expenses	-	-	-	12,724,818	26,470	-
Other disbursements	-	-	4,598,061	2,100,000	-	-
Total disbursements	125,124	402,453	4,598,061	14,886,861	26,470	820,968
Excess (deficiency) of receipts over disbursements	(1,032)	(354,854)	561	(1,504,743)	4,655	379,032
Cash and investments - ending	\$ 28,919	\$ 42,242	\$ 1,567	\$ 327,662	\$ 250,485	\$ 686,690

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Electric Cash Reserve	Storm Water	WPC Debt Reserve	WPC Sinking	Water Pollution Control
Cash and investments - beginning	\$ 385,391	\$ 327,158	\$ 1,688,583	\$ 980,925	\$ (266,301)
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	754,681	-	-	3,947,766
Other receipts	974,037	220	60,118	1,816,457	349,198
Total receipts	974,037	754,901	60,118	1,816,457	4,296,964
Disbursements:					
Personal services	-	123,484	-	-	629,209
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	48,491
Debt service - principal and interest	-	962	-	1,816,821	-
Capital outlay	-	44,867	-	-	-
Utility operating expenses	-	457,310	-	-	1,162,942
Other disbursements	127,007	74,037	-	-	2,201,575
Total disbursements	127,007	700,660	-	1,816,821	4,042,217
Excess (deficiency) of receipts over disbursements	847,030	54,241	60,118	(364)	254,747
Cash and investments - ending	\$ 1,232,421	\$ 381,399	\$ 1,748,701	\$ 980,561	\$ (11,554)

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	WPC Improvement	WPC Cash Reserve	Water Bond and Interest	Water Debt Reserve	Water Construction Fund
Cash and investments - beginning	\$ 121,954	\$ 8,856	\$ 103,339	\$ 341,122	\$ 708,091
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	-	-
Other receipts	50,000	275,000	405,794	33,667	-
Total receipts	50,000	275,000	405,794	33,667	-
Disbursements:					
Personal services	-	-	-	-	26,913
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	403,195	-	-
Capital outlay	172,930	-	-	-	158,101
Utility operating expenses	-	-	-	-	-
Other disbursements	-	252,000	-	-	-
Total disbursements	172,930	252,000	403,195	-	185,014
Excess (deficiency) of receipts over disbursements	(122,930)	23,000	2,599	33,667	(185,014)
Cash and investments - ending	\$ (976)	\$ 31,856	\$ 105,938	\$ 374,789	\$ 523,077

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Water Cash Reserve	Water Operating	Water Meter Deposits	Water Depreciation	Totals
Cash and investments - beginning	\$ 40,188	\$ 94,649	\$ 46,015	\$ 62,733	\$ 10,713,192
Receipts:					
Taxes	-	-	-	-	2,379,729
Licenses and permits	-	-	-	-	3,680
Intergovernmental receipts	-	-	-	-	2,766,849
Charges for services	-	-	-	-	445,697
Fines and forfeits	-	-	-	-	53,889
Utility fees	-	1,926,383	4,300	-	18,185,498
Other receipts	150,000	73,445	-	150,000	14,755,804
Total receipts	150,000	1,999,828	4,300	150,000	38,591,146
Disbursements:					
Personal services	-	543,637	-	-	4,723,442
Supplies	-	-	-	-	428,831
Other services and charges	-	40,495	-	-	3,740,290
Debt service - principal and interest	-	-	-	-	2,402,680
Capital outlay	-	15,425	-	145,278	2,996,450
Utility operating expenses	-	839,922	2,390	-	15,213,852
Other disbursements	71,000	759,423	-	-	10,250,565
Total disbursements	71,000	2,198,902	2,390	145,278	39,756,110
Excess (deficiency) of receipts over disbursements	79,000	(199,074)	1,910	4,722	(1,164,964)
Cash and investments - ending	\$ 119,188	\$ (104,425)	\$ 47,925	\$ 67,455	\$ 9,548,228

CITY OF COLUMBIA CITY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -	\$ 9,493
Electric	629,444	174,975
Storm Water	-	27,437
Wastewater	12,087	51,250
Water	<u>3,739</u>	<u>19,241</u>
Totals	<u>\$ 645,270</u>	<u>\$ 282,396</u>

CITY OF COLUMBIA CITY
SCHEDULE OF LEASES AND DEBT
December 31, 2015

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Fire Station Remodeling	\$ 58,000	\$ 59,563
Electric:			
USDA REDLG	Economic Development	82,325	10,404
USDA REDLG	Economic Development	470,586	50,424
USDA REDLG	Economic Development	<u>836,255</u>	<u>88,812</u>
Total Electric		<u>1,389,166</u>	<u>149,640</u>
Wastewater:			
Revenue bonds	Sewer Expansion	10,829,000	1,129,908
Revenue bonds	Sewer Expansion	4,698,000	449,966
Revenue bonds	Sewer Expansion	2,917,000	193,841
Revenue bonds	Sewer Expansion	<u>601,000</u>	<u>43,107</u>
Total Wastewater		<u>19,045,000</u>	<u>1,816,822</u>
Water:			
Revenue bonds	Infrastructure Repairs	1,681,000	160,993
Revenue bonds	Plant Expansion	1,118,000	119,171
Revenue bonds	Plant Expansion	<u>729,000</u>	<u>128,373</u>
Total Water		<u>3,528,000</u>	<u>408,537</u>
Totals		<u>\$ 24,020,166</u>	<u>\$ 2,434,562</u>

CITY OF COLUMBIA CITY
SCHEDULE OF CAPITAL ASSETS
December 31, 2015

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.

	Ending Balance
Governmental activities:	
Land	\$ 88,675
Infrastructure	8,210,124
Buildings	2,355,941
Improvements other than buildings	1,781,633
Machinery, equipment, and vehicles	<u>4,089,886</u>
Total governmental activities	<u>16,526,259</u>
Electric:	
Land	223,573
Infrastructure	8,730
Buildings	1,626,799
Improvements other than buildings	10,306,704
Machinery, equipment, and vehicles	<u>2,169,657</u>
Total Electric	<u>14,335,463</u>
Storm Water:	
Infrastructure	293,237
Improvements other than buildings	4,602
Machinery, equipment, and vehicles	<u>144,064</u>
Total Storm Water	<u>441,903</u>
Wastewater:	
Land	23,396
Infrastructure	6,559,318
Buildings	7,648,950
Improvements other than buildings	23,230,435
Machinery, equipment, and vehicles	<u>8,553,636</u>
Total Wastewater	<u>46,015,735</u>
Water:	
Land	7,654
Infrastructure	960,382
Buildings	2,287,908
Improvements other than buildings	6,450,327
Machinery, equipment, and vehicles	<u>899,726</u>
Total Water	<u>10,605,997</u>
Total capital assets	<u>\$ 87,925,357</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for the Major Federal Program

We have audited the City of Columbia City's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)


Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

November 26, 2018

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF COLUMBIA CITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Rural Economic Development Loans and Grants	Direct	10.854	REDLG - 0641	\$ -	\$ 1,440,783
Total - United States Department of Agriculture				-	1,440,783
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/States Program and Non - Entitlement Grants in Hawaii Planning Grant	Indiana Office of Community and Rural Affairs	14.228			
				FY15	-
Total - Department of Housing and Urban Development				-	23,932
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction SR 205 Improvements from SR 205 to US 30	Indiana Department of Transportation	20.205			
				A249-09-320952	-
Total - Department of Transportation				-	289,717
Total federal awards expended				\$ -	\$ 1,754,432

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

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Loans Outstanding

The City had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2015. These loan balances outstanding are also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	2015
Rural Economic Development Loans and Grants	10.854	<u>\$ 1,389,166</u>

The expenditures on the SEFA for the Rural Economic Development Loans and Grants exceeds the loans outstanding by \$51,617 because the SEFA presents the value of new loans made or received during the fiscal year plus the balance of loans from previous years for which the federal government imposes continuing compliance requirements. The difference of \$51,617 represents payments made on the new 2015 loans during the year.

CITY OF COLUMBIA CITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
10.854	Rural Economic Development Loans and Grants	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Condition

The City did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer prepared the federal award information entered into the Indiana Gateway for Government Units financial reporting system without a control in place to prevent, or detect and correct, errors prior to submission.

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

Context

The SEFA presented for audit contained the following errors:

1. The Highway Planning and Construction Cluster expenditures were overstated by \$23,671.
2. The Rural Economic Development Loans and Grants expenditures were understated by \$1,440,783.

Audit adjustments were proposed, accepted by the City, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the City establish a system of internal controls to ensure that federal expenditures will be properly reported on the SEFA.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the City. The document is presented as intended by the City.

**City Clerk –Treasurer
112 S. Chauncey St
Columbia City, IN 46725
260 248 5112**

November 20, 2018

CORRECTIVE ACTION PLAN

FINDING2015-001

Contact Person Responsible for Corrective Action: City Clerk Treasurer

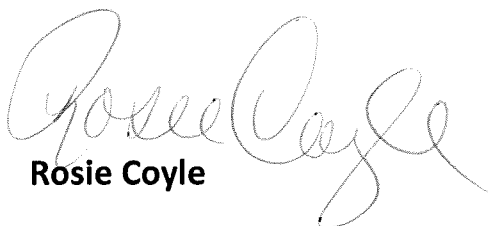
Contact Phone: 260 248 5112

Views of Responsible Official: Clerk Treasurer concurs with finding.

Description of Corrective Action Plan:

The Clerk Treasurer will work with the Deputy Clerk to review the information that is submitted to ensure that the SEFA is correct

Anticipated Completion Date: This will be correct with the 2018 submission



Rosie Coyle

City Clerk Treasurer

OTHER REPORTS

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