

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, 2018 to December 31, 2018



FILED
08/09/2019

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SCHEDULE OF OFFICIALS

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



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, 2018, 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, 2018.

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, 2018, 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 July 11, 2019, 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

July 11, 2019



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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, 2018, and the related notes to the financial statement, and have issued our report thereon dated July 11, 2019, 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 2018-001, 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 2018-001.

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

July 11, 2019

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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, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General Fund	\$ (27,417)	\$ 3,615,548	\$ 3,556,350	\$ 31,781
Motor Vehicle Highway	75,745	556,606	588,904	43,447
Local Road & Street	2,519	76,835	53,900	25,454
Parking Meter	4,859	754	1,785	3,828
Hazardous Materials	871	-	-	871
Park Nonreverting	(63,344)	258,002	214,404	(19,746)
Economic Development Op	74,795	1,443	64,532	11,706
Sanitation	52,972	328,167	332,098	49,041
Housing Authority	104,754	33,398	11,199	126,953
Local Law Enf Cont Ed	21,630	15,729	14,386	22,973
Riverboat Gambling	23,215	51,834	51,878	23,171
Emergency Telephone Sys	888	11,494	11,471	911
Park & Recreation	32,381	571,005	526,121	77,265
Rainy Day	833,225	1,335	450,000	384,560
Env. Remediation/Lml	-	684,094	-	684,094
Cum Cap Development	258,675	122,451	237,569	143,557
Aquatic Facility Construction	187,875	-	187,875	-
Redev Revolving Loans	140,899	22,192	67,394	95,697
Cumulative Bridge & Street	313,562	246,286	199,741	360,107
Cum Cap Impr (Tax Levy)	18,777	20,454	11,891	27,340
Cumulative Fire	107,456	94,178	49,025	152,609
Cumulative Park	18,252	41,091	20,000	39,343
General Improvement	5,077	5,056	5,880	4,253
CEDIT Tax	418,951	453,839	699,930	172,860
Information Services	26,917	86,550	51,445	62,022
Police Pension	228,857	172,696	176,940	224,613
LOIT - Public Safety	307,968	512,348	467,092	353,224
Petty Cash	500	-	-	500
Cemetery	5,918	18,295	24,179	34
Bicentennial Fund	697	-	-	697
Fire Violations	149	9	-	158
Donation Park	1,745,719	1,010,874	2,646,097	110,496
Donations	78,252	882,181	880,070	80,363
Federal Equitable Sharing	96	-	-	96
Group Insurance	72,629	1,984,712	2,245,517	(188,176)
Group Insurance Retirees	171,321	34,116	-	205,437
Sales Tax	423	439	420	442
Wayne Waste Superfund	458	81,000	75,840	5,618
Operation Pull Over	211	-	-	211
TIF Redevelopment	30,251	26,713	21,180	35,784
Cash Change Drawers (4)	800	-	-	800
Cemetery Endowment	18,925	1,380	-	20,305
Payroll Clearing Account	4,470	5,614,887	5,615,389	3,968
Electric Utl Operating	603,496	12,126,284	12,530,083	199,697
Electric Utl Meter Dep	268,968	28,400	28,030	269,338
Electric Utl Depreciation	494,294	350,000	568,172	276,122
Electric Cash Reserve	1,550,388	440,689	126,000	1,865,077
Stormwater	236,544	771,436	1,098,994	(91,014)
Sewage Utility Operating	849,486	5,548,051	4,851,658	1,545,879
Sewage Improvement	140,040	640,000	548,649	231,391
Sewage Utl Bond & Int	985,044	1,739,910	1,817,371	907,583
Sewage Utl Debt Reserve	1,820,706	5,937	-	1,826,643
Sewage Cash Reserve	77,856	385,000	252,000	210,856
Water Utility Operating	3,809	2,103,966	2,104,856	2,919
Water Utl Meter Deposit	50,440	6,050	3,930	52,560
Water Utl Depreciation	9,480	120,000	121,122	8,358
Water Utl Bond & Interest	96,242	417,168	416,475	96,935
Water Utl Const In Prog	147,764	-	147,764	-
Water Cash Reserve	10,188	120,000	122,004	8,184
Water Debt Reserve	431,528	-	-	431,528
Totals	<u>\$ 13,077,451</u>	<u>\$ 42,440,882</u>	<u>\$ 44,297,610</u>	<u>\$ 11,220,723</u>

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 December 31 of the year preceding the budget year or January 15 of the budget year if the City is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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) Defined Benefit Plan is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the City authority to contribute to the plan.

My Choice: Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2, IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the City authority to contribute to the plan.

New employees hired have a one-time election to join either the Public Employees' Hybrid Plan (PERF Hybrid) or the My Choice: Retirement Savings Plan for Public Employees (My Choice), which is a multiple-employer defined contribution plan. PERF Hybrid consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Financial Report

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:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

Contributions

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

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, providing retirement, disability, and survivor benefits.

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.

CITY OF COLUMBIA CITY
NOTES TO FINANCIAL STATEMENT
(Continued)

Financial Report

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:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

Contributions

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS based on actuarial valuation. Employers may pay all or part of the member contribution for the member.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of net fund receipts and disbursements being insufficient to replenish the beginning cash balance deficit; excessive insurance claims; and increase in capital outlay.

Note 8. Subsequent Events

On May 28, 2019, the City approved Ordinance No. 2019-13 authorizing Sewage Works Refunding Revenue Bonds preliminarily estimated at \$10,615,000. The bonds will refund the currently outstanding Sewage Works Revenue Bonds of 2005 and 2006.

On June 25, 2019, the City approved Ordinance No. 2019-14 authorizing the construction of additions and improvements to the sewage works. The maximum estimated cost of the project is not to exceed \$11,907,000. The project will be funded by a combination of a USDA loan (\$10,776,000), Indiana Office of Community and Rural Affairs grant (\$700,000), and City funds (\$431,000).

Note 9. 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, 2018

	General Fund	Motor Vehicle Highway	Local Road & Street	Parking Meter	Hazardous Materials	Park Nonreverting	Economic Development Op
Cash and investments - beginning	\$ (27,417)	\$ 75,745	\$ 2,519	\$ 4,859	\$ 871	\$ (63,344)	\$ 74,795
Receipts:							
Taxes	2,666,528	68,578	-	-	-	-	-
Licenses and permits	37,090	-	-	-	-	-	-
Intergovernmental receipts	800,316	484,246	76,835	-	-	-	1,268
Charges for services	19,800	2,016	-	754	-	258,002	-
Fines and forfeits	85,821	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,993	1,766	-	-	-	-	175
Total receipts	3,615,548	556,606	76,835	754	-	258,002	1,443
Disbursements:							
Personal services	3,056,342	364,567	-	-	-	10,166	-
Supplies	95,996	98,734	-	1,370	-	123,943	-
Other services and charges	403,149	125,603	53,900	415	-	80,295	64,532
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	863	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	3,556,350	588,904	53,900	1,785	-	214,404	64,532
Excess (deficiency) of receipts over disbursements	59,198	(32,298)	22,935	(1,031)	-	43,598	(63,089)
Cash and investments - ending	\$ 31,781	\$ 43,447	\$ 25,454	\$ 3,828	\$ 871	\$ (19,746)	\$ 11,706

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Sanitation	Housing Authority	Local Law Enf Cont Ed	Riverboat Gambling	Emergency Telephone Sys	Park & Recreation	Rainy Day
Cash and investments - beginning	\$ 52,972	\$ 104,754	\$ 21,630	\$ 23,215	\$ 888	\$ 32,381	\$ 833,225
Receipts:							
Taxes	-	-	-	-	-	512,546	-
Licenses and permits	-	-	4,295	-	-	-	-
Intergovernmental receipts	-	-	-	51,834	-	54,900	-
Charges for services	328,167	-	5,175	-	11,494	-	-
Fines and forfeits	-	-	1,988	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	33,398	4,271	-	-	3,559	1,335
Total receipts	328,167	33,398	15,729	51,834	11,494	571,005	1,335
Disbursements:							
Personal services	-	-	-	-	11,471	349,898	-
Supplies	-	-	-	-	-	35,428	-
Other services and charges	332,098	11,199	14,386	-	-	140,795	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	51,878	-	-	450,000
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	332,098	11,199	14,386	51,878	11,471	526,121	450,000
Excess (deficiency) of receipts over disbursements	(3,931)	22,199	1,343	(44)	23	44,884	(448,665)
Cash and investments - ending	\$ 49,041	\$ 126,953	\$ 22,973	\$ 23,171	\$ 911	\$ 77,265	\$ 384,560

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Env. Remediation/Lm]	Cum Cap Development	Aquatic Facility Construction	Redev Revolving Loans	Cumulative Bridge & Street	Cum Cap Impr (Tax Levy)
Cash and investments - beginning	\$ -	\$ 258,675	\$ 187,875	\$ 140,899	\$ 313,562	\$ 18,777
Receipts:						
Taxes	-	109,328	-	-	219,144	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	13,123	-	-	26,305	20,454
Charges for services	684,094	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	22,192	837	-
Total receipts	684,094	122,451	-	22,192	246,286	20,454
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	134,982	11,891
Debt service - principal and interest	-	71,725	-	-	-	-
Capital outlay	-	165,844	187,875	67,394	64,759	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	237,569	187,875	67,394	199,741	11,891
Excess (deficiency) of receipts over disbursements	684,094	(115,118)	(187,875)	(45,202)	46,545	8,563
Cash and investments - ending	\$ 684,094	\$ 143,557	\$ -	\$ 95,697	\$ 360,107	\$ 27,340

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Cumulative Fire	Cumulative Park	General Improvement	CEDIT Tax	Information Services	Police Pension	LOIT - Public Safety
Cash and investments - beginning	\$ 107,456	\$ 18,252	\$ 5,077	\$ 418,951	\$ 26,917	\$ 228,857	\$ 307,968
Receipts:							
Taxes	85,833	36,687	-	453,218	-	-	505,586
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	7,481	4,404	-	-	-	-	-
Charges for services	-	-	5,056	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	864	-	-	621	86,550	172,696	6,762
Total receipts	94,178	41,091	5,056	453,839	86,550	172,696	512,348
Disbursements:							
Personal services	-	-	-	-	125	176,940	20,999
Supplies	21,945	-	-	-	41,344	-	101,595
Other services and charges	5,952	20,000	5,880	259,867	9,976	-	112,604
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	21,128	-	-	440,063	-	-	231,894
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	49,025	20,000	5,880	699,930	51,445	176,940	467,092
Excess (deficiency) of receipts over disbursements	45,153	21,091	(824)	(246,091)	35,105	(4,244)	45,256
Cash and investments - ending	\$ 152,609	\$ 39,343	\$ 4,253	\$ 172,860	\$ 62,022	\$ 224,613	\$ 353,224

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Petty Cash	Cemetery	Bicentennial Fund	Fire Violations	Donation Park	Donations	Federal Equitable Sharing
Cash and investments - beginning	\$ 500	\$ 5,918	\$ 697	\$ 149	\$ 1,745,719	\$ 78,252	\$ 96
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	828,943	-
Charges for services	-	18,295	-	-	-	-	-
Fines and forfeits	-	-	-	9	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	1,010,874	53,238	-
Total receipts	-	18,295	-	9	1,010,874	882,181	-
Disbursements:							
Personal services	-	2,078	-	-	-	-	-
Supplies	-	1,977	-	-	-	51,127	-
Other services and charges	-	20,124	-	-	2,646,097	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	828,943	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	24,179	-	-	2,646,097	880,070	-
Excess (deficiency) of receipts over disbursements	-	(5,884)	-	9	(1,635,223)	2,111	-
Cash and investments - ending	\$ 500	\$ 34	\$ 697	\$ 158	\$ 110,496	\$ 80,363	\$ 96

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Group Insurance	Group Insurance Retirees	Sales Tax	Wayne Waste Superfund	Operation Pull Over	TIF Redevelopment	Cash Change Drawers (4)
Cash and investments - beginning	\$ 72,629	\$ 171,321	\$ 423	\$ 458	\$ 211	\$ 30,251	\$ 800
Receipts:							
Taxes	-	-	439	-	-	26,713	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1,984,712	34,116	-	81,000	-	-	-
Total receipts	1,984,712	34,116	439	81,000	-	26,713	-
Disbursements:							
Personal services	87,597	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	2,157,920	-	420	75,840	-	18,280	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	2,900	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	2,245,517	-	420	75,840	-	21,180	-
Excess (deficiency) of receipts over disbursements	(260,805)	34,116	19	5,160	-	5,533	-
Cash and investments - ending	\$ (188,176)	\$ 205,437	\$ 442	\$ 5,618	\$ 211	\$ 35,784	\$ 800

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Cemetery Endowment	Payroll Clearing Account	Electric Util Operating	Electric Util Meter Dep	Electric Util Depreciation	Electric Cash Reserve	Stormwater
Cash and investments - beginning	\$ 18,925	\$ 4,470	\$ 603,496	\$ 268,968	\$ 494,294	\$ 1,550,388	\$ 236,544
Receipts:							
Taxes	-	-	485	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	1,380	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	11,703,839	28,400	-	-	771,323
Other receipts	-	5,614,887	421,960	-	350,000	440,689	113
Total receipts	1,380	5,614,887	12,126,284	28,400	350,000	440,689	771,436
Disbursements:							
Personal services	-	5,615,389	-	-	-	-	181,937
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	149,640	-	-	-	1,285
Capital outlay	-	-	5,925	-	568,172	-	309,697
Utility operating expenses	-	-	11,660,663	28,030	-	-	507,130
Other disbursements	-	-	713,855	-	-	126,000	98,945
Total disbursements	-	5,615,389	12,530,083	28,030	568,172	126,000	1,098,994
Excess (deficiency) of receipts over disbursements	1,380	(502)	(403,799)	370	(218,172)	314,689	(327,558)
Cash and investments - ending	\$ 20,305	\$ 3,968	\$ 199,697	\$ 269,338	\$ 276,122	\$ 1,865,077	\$ (91,014)

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Sewage Utility Operating	Sewage Improvement	Sewage Util Bond & Int	Sewage Util Debt Reserve	Sewage Cash Reserve	Water Utility Operating	Water Util Meter Deposit
Cash and investments - beginning	\$ 849,486	\$ 140,040	\$ 985,044	\$ 1,820,706	\$ 77,856	\$ 3,809	\$ 50,440
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	5,155,998	-	-	-	-	1,971,743	6,050
Other receipts	392,053	640,000	1,739,910	5,937	385,000	132,223	-
Total receipts	5,548,051	640,000	1,739,910	5,937	385,000	2,103,966	6,050
Disbursements:							
Personal services	692,676	-	-	-	-	440,140	-
Supplies	-	-	-	-	-	-	-
Other services and charges	15,362	-	-	-	-	3,607	-
Debt service - principal and interest	1,735,028	-	1,817,371	-	-	-	-
Capital outlay	-	353,323	-	-	-	-	-
Utility operating expenses	1,383,592	195,326	-	-	-	854,141	3,930
Other disbursements	1,025,000	-	-	-	252,000	806,968	-
Total disbursements	4,851,658	548,649	1,817,371	-	252,000	2,104,856	3,930
Excess (deficiency) of receipts over disbursements	696,393	91,351	(77,461)	5,937	133,000	(890)	2,120
Cash and investments - ending	\$ 1,545,879	\$ 231,391	\$ 907,583	\$ 1,826,643	\$ 210,856	\$ 2,919	\$ 52,560

CITY OF COLUMBIA CITY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	Water Util Depreciation	Water Util Bond & Interest	Water Util Const In Prog	Water Cash Reserve	Water Debt Reserve	Totals
Cash and investments - beginning	\$ 9,480	\$ 96,242	\$ 147,764	\$ 10,188	\$ 431,528	\$ 13,077,451
Receipts:						
Taxes	-	-	-	-	-	4,685,085
Licenses and permits	-	-	-	-	-	41,385
Intergovernmental receipts	-	-	-	-	-	2,370,109
Charges for services	-	-	-	-	-	1,334,233
Fines and forfeits	-	-	-	-	-	87,818
Utility fees	-	-	-	-	-	19,637,353
Other receipts	120,000	417,168	-	120,000	-	14,284,899
Total receipts	120,000	417,168	-	120,000	-	42,440,882
Disbursements:						
Personal services	-	-	-	-	-	11,010,325
Supplies	-	-	-	-	-	573,459
Other services and charges	-	-	-	-	-	6,725,174
Debt service - principal and interest	-	416,475	-	-	-	4,191,524
Capital outlay	100,392	-	147,764	-	-	3,998,814
Utility operating expenses	20,730	-	-	-	-	14,653,542
Other disbursements	-	-	-	122,004	-	3,144,772
Total disbursements	121,122	416,475	147,764	122,004	-	44,297,610
Excess (deficiency) of receipts over disbursements	(1,122)	693	(147,764)	(2,004)	-	(1,856,728)
Cash and investments - ending	\$ 8,358	\$ 96,935	\$ -	\$ 8,184	\$ 431,528	\$ 11,220,723

CITY OF COLUMBIA CITY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2018

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Electric	\$ 59,791	\$ 231,027
Storm Water	-	24,794
Wastewater	44,781	92,078
Water	<u>9,095</u>	<u>37,497</u>
Totals	<u>\$ 113,667</u>	<u>\$ 385,396</u>

CITY OF COLUMBIA CITY
SCHEDULE OF LEASES AND DEBT
December 31, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: KS State Bank	phone lease	\$ 23,438	12/28/2018	12/28/2019
Total of annual lease payments		<u>\$ 23,438</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: General obligation bonds Notes and loans payable	Aquatic Center Bonding City Hall remodel	\$ 1,070,000 <u>489,922</u>	\$ 141,750 <u>67,436</u>
Total governmental activities		<u>1,559,922</u>	<u>209,186</u>
Electric: USDA REDLG USDA REDLG USDA REDLG	Economic Development Economic Development Economic Development	51,113 319,314 <u>569,819</u>	10,404 50,424 <u>88,812</u>
Total Electric		<u>940,246</u>	<u>149,640</u>
Wastewater: Revenue bonds Revenue bonds Revenue bonds Revenue bonds Revenue bonds	sewer expansion sewer expansion sewer expansion sewer expansion sewer expansion	4,863,000 8,368,000 3,720,000 2,536,000 <u>506,000</u>	58,546 1,129,772 450,330 193,157 <u>43,159</u>
Total Wastewater		<u>19,993,000</u>	<u>1,874,964</u>
Water: Revenue bonds Revenue bonds Revenue bonds	infrastructure repairs Plant Expansion Plant Expansion	390,000 864,000 <u>1,324,000</u>	134,426 120,254 <u>165,469</u>
Total Water		<u>2,578,000</u>	<u>420,149</u>
Totals		<u>\$ 25,071,168</u>	<u>\$ 2,653,939</u>

CITY OF COLUMBIA CITY
SCHEDULE OF CAPITAL ASSETS
December 31, 2018

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	\$ 112,995
Infrastructure	8,210,124
Buildings	2,799,897
Improvements other than buildings	4,346,130
Machinery, equipment, and vehicles	<u>4,644,026</u>
Total governmental activities	<u>20,113,172</u>
Electric:	
Land	223,573
Infrastructure	11,793
Buildings	1,626,799
Improvements other than buildings	10,837,302
Machinery, equipment, and vehicles	<u>2,201,431</u>
Total Electric	<u>14,900,898</u>
Storm Water:	
Infrastructure	1,666,715
Improvements other than buildings	4,602
Machinery, equipment, and vehicles	<u>269,267</u>
Total Storm Water	<u>1,940,584</u>
Wastewater:	
Land	44,226
Infrastructure	6,609,411
Buildings	7,648,950
Improvements other than buildings	23,413,892
Machinery, equipment, and vehicles	<u>9,021,843</u>
Total Wastewater	<u>46,738,322</u>
Water:	
Land	7,654
Infrastructure	1,241,292
Buildings	2,520,414
Improvements other than buildings	6,544,125
Machinery, equipment, and vehicles	<u>1,155,179</u>
Total Water	<u>11,468,664</u>
Total capital assets	<u>\$ 95,161,640</u>

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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, 2018. 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, 2018.

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

July 11, 2019

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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, 2018

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	\$ -	\$ 940,246
Cooperative Forestry Assistance	Indiana Department of Natural Resources	10.664	FY 2018	-	12,974
Total - Department of Agriculture				-	953,220
Total federal awards expended				\$ -	\$ 953,220

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, 2018. 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, 2018. These loan balances outstanding are also included in the federal expenditures presented in the SEFA.

Program Title	Federal CFDA Number	2018
Rural Economic Development Loans and Grants	10.854	\$ <u>940,246</u>

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 is 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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
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 2018-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-001.

Condition

The City did not have a proper system of internal controls 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 Rural Economic Development Loans and Grants expenditures were understated by \$487,530.
2. The Cooperative Forestry Assistance grant was omitted. Expenditures were understated by \$12,974.
3. A state program was listed in error resulting in expenditures being overstated by \$1,657,886. This program also reported an amount as passed through to subrecipients, resulting in an overstatement of \$828,943.

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's management establish controls related to the preparation of 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 DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.

ROSIE COYLE
CITY CLERK TRASURER
112 S. CHAUNCEY STREET
COLUMBIA CITY, IN 46725
260-248-5112

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

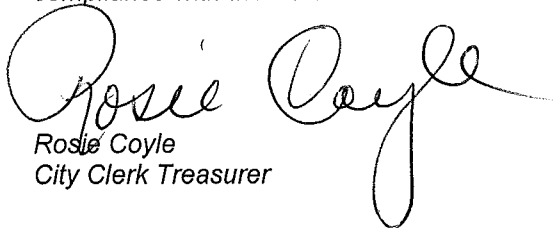
June 19, 2019

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2017
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: n/a
Contact Person Responsible for Corrective Action: Rosie Coyle, City Clerk Treasurer
Contact Phone Number: 260-248-5112

Status of Audit Finding: Ongoing

We are correcting internal controls to ensure all appropriate personnel will oversee the schedule of expenditures for all grants and other federal monies that are receipted and/or disbursed as to be in compliance with the State Board of Accounts


Rosie Coyle
City Clerk Treasurer

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

June 19, 2019

CORRECTIVE ACTION PLAN

FINDING 2018-001

**Contact Person Responsible for Corrective Action: Rosie Coyle City Clerk
Treasurer**

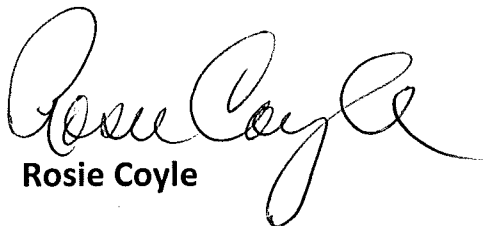
Contact Phone: 260 248 5112

Views of Responsible Official: Clerk Treasurer concurs with finding.

Description of Corrective Action Plan:

**The Clerk Treasurer is working 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 2019 submission

A handwritten signature in black ink, appearing to read "Rosie Coyle". The signature is fluid and cursive, with the first name "Rosie" and last name "Coyle" clearly distinguishable.

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/>.