

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

ANNUAL FINANCIAL REPORT

2005

VIGO COUNTY, INDIANA



**FILED**

09/08/2006



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	James W. Bramble	01-01-05 to 12-31-08
Treasurer	William Harris David Crockett	10-15-03 to 12-31-05 01-01-06 to 12-31-09
Clerk	Patricia Mansard	11-01-03 to 12-31-08
Sheriff	Jon Marvel	01-01-03 to 12-31-06
Recorder	Raymond Watts	10-15-03 to 12-31-08
President of the Board of County Commissioners	Paul Mason Judith A. Anderson	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the County Council	Robert Hellmann	01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF VIGO COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vigo County (County), as of and for the year ended December 31, 2005, as listed in the table of contents, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the County prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2005, and the cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note 1.

The Schedules of Funding Progress as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

In accordance with Government Auditing Standards, we have also issued a report dated June 7, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This separate report is an integral part of an audit performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and, in considering the results of the audit, this report should be read along with the auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements of the County taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 7, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF VIGO COUNTY, INDIANA

We have audited the financial statements of Vigo County (County), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 7, 2006

VIGO COUNTY  
 STATEMENT OF CASH AND INVESTMENTS  
 December 31, 2005

<u>Assets</u>	<u>Primary Governmental Activities</u>
Cash and investments	\$ 27,731,655
Restricted assets:	
Cash and investments	<u>7,400,763</u>
 Total assets	 <u>\$ 35,132,418</u>
 <u>Net Assets</u>	
Restricted for:	
Highways and streets	\$ 1,034,203
Capital projects	6,366,560
Unrestricted	<u>27,731,655</u>
 Total net assets	 <u>\$ 35,132,418</u>

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

VIGO COUNTY  
STATEMENT OF CASH ACTIVITIES  
For The Year Ended December 31, 2005

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Receipt and Changes in Net Assets
					Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 31,121,594	\$ 2,969,549	\$ 1,838,999	\$ -	\$ (26,313,046)
Public safety	10,666,114	3,008,370	100,688	-	(7,557,056)
Highways and streets	4,459,802	-	-	4,883,602	423,800
Health and welfare	8,842,577	2,844,521	5,723,858	-	(274,198)
Culture and recreation	2,595,690	2,950,139	-	-	354,449
Health insurance disbursements	3,022,610	-	-	-	(3,022,610)
Interest on long-term debt	506,219	-	-	-	(506,219)
<b>Total primary government</b>	<b>\$ 61,214,606</b>	<b>\$ 11,772,579</b>	<b>\$ 7,663,545</b>	<b>\$ 4,883,602</b>	<b>(36,894,880)</b>
General receipts:					
Property taxes					32,666,767
Inheritance taxes					157,687
Excise taxes					2,245,386
Riverboat revenue sharing					814,807
Other					724,041
Health insurance contributions					5,135,558
Unrestricted investment earnings					691,997
<b>Total general receipts</b>					<b>42,436,243</b>
<b>Change in net assets</b>					<b>5,541,363</b>
<b>Net assets - beginning</b>					<b>29,591,055</b>
<b>Net assets - ending</b>					<b>\$ 35,132,418</b>

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

VIGO COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	Other Governmental Funds	Totals
Cash and investments - January 1	\$ 10,343,113	\$ 19,222,535	\$ 29,565,648
Operating receipts:			
Taxes	22,619,069	13,900,594	36,519,663
Intergovernmental	6,336,070	9,304,911	15,640,981
Charges for services	2,531,049	458,534	2,989,583
Fines and forfeits	427,435	1,415,534	1,842,969
Other	895,357	3,731,858	4,627,215
Total receipts	32,808,980	28,811,431	61,620,411
Operating disbursements:			
General government	22,925,787	7,710,807	30,636,594
Public safety	6,603,017	4,063,097	10,666,114
Highways and streets	-	4,459,802	4,459,802
Health and welfare	503,289	8,339,288	8,842,577
Culture and recreation	380,034	2,215,656	2,595,690
Debt service:			
Principal	-	485,000	485,000
Interest and paying agent fees	-	506,219	506,219
Total disbursements	30,412,127	27,779,869	58,191,996
Excess of total receipts over total disbursements	2,396,853	1,031,562	3,428,415
Cash and investments - December 31	\$ 12,739,966	\$ 20,254,097	\$ 32,994,063

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

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 3,428,415
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	2,112,948
Change in cash and investments of governmental activities	\$ 5,541,363

VIGO COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUND  
For The Year Ended December 31, 2005

	Internal Service
Cash and investments - January 1	\$ 25,407
Operating receipts:	
Insurance premiums	5,135,558
Operating disbursements:	
Insurance claims and expenses	3,022,610
Excess of total receipts over total disbursements	2,112,948
Cash and investments - December 31	\$ 2,138,355

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

VIGO COUNTY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2005

	<u>Pension Trust Funds</u>	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and investments - January 1	\$ 6,691,929	\$ 57,146	\$ 13,154,661
Additions:			
Contributions:			
Employee	<u>15,311</u>	<u>-</u>	<u>-</u>
Investment earnings:			
Decrease in fair value of investments	(48,233)	-	-
Interest	<u>194,772</u>	<u>-</u>	<u>-</u>
Net investment earnings	<u>146,539</u>	<u>-</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>124,527,966</u>
Total additions	<u>161,850</u>	<u>-</u>	<u>124,527,966</u>
Deductions:			
Benefits	258,601	-	-
Refunds of contributions	8,311	-	-
Administrative expense	20,893	-	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>125,223,604</u>
Total deductions	<u>287,805</u>	<u>-</u>	<u>125,223,604</u>
Deficiency of total additions under total deductions	<u>(125,955)</u>	<u>-</u>	<u>(695,638)</u>
Cash and investments - December 31	<u>\$ 6,565,974</u>	<u>\$ 57,146</u>	<u>\$ 12,459,023</u>

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

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The County was established under the laws of the State of Indiana. The County operates under a Council-Commissioner form of government and provides the following services: public safety (police), highways and streets, health, welfare and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

These financial statements present the County (primary government). There are no significant component units which require inclusion.

Related Organizations

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. The County appoints the board members of the Vigo County Building Corporation.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the County. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. However, there are no business-type activities to report at this time.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segments are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the County has not established any enterprise funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The County reports the following major governmental funds:

The general fund is the County's primary operating fund and accounts for all financial resources of the County, except those required to be accounted for in another fund.

Additionally, the County reports the following fund types:

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

The pension trust funds account for the activities of the 1925 police and 1937 fire pension funds, which accumulate resources for pension benefit payments.

The pension trust funds account for the activities of the sheriff's pension trust and the sheriff's benefit pension funds, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the school corporation.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds).

When both restricted and unrestricted resources are available for use, the County's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Net Assets or Equity

1. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the County in June and in December. 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 March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance).

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the County on or prior to December 31 of the year collected.

2. Compensated Absences

- a. Sick Leave – primary government employees earn sick leave at the rate of 8 days per year. Unused sick leave may be accumulated to a maximum of 36 days. Accumulated sick leave is not paid to employees.
- b. Vacation Leave – primary government employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of 10 days. Accumulated vacation leave is paid to employees through cash payments upon termination.
- c. Personal Leave – primary government employees earn personal leave at the rate of 4 days per year. Personal leave does not accumulate from year to year.

E. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds; and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. The Sheriff's Merit Board had established an investment policy for the Sheriff's Retirement and Benefit Pension Plan. This investment policy outlines parameters for investment activity for the Sheriff's Pension Plans. As of December 31, 2005, the County had the following investments:

Investment Type	Primary Government Market Value	Sheriff's Retirement and Benefit Pension Plans
U.S. treasuries and securities	\$ 500,000	\$ 3,448,545
Corporate equities	-	2,171,672
Mutual funds	-	726,636
Repurchase agreements	-	50,000
Totals	<u>\$ 500,000</u>	<u>\$ 6,396,853</u>

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Investment Policies

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

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

Additionally, the County may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

The Sheriff's Pension Plan is not subject to the same investment laws as the county. The investment policy for the Sheriff's Retirement and Benefit Pension Plans was adopted by the Sheriff's Merit Board on November 18, 2003. Authorized investments include investments with grades of BBB and above.

Investment Custodial Credit Risk

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

The Sheriff's Merit Board has not adopted an investment policy for custodial credit risk for investments.

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Interest Rate Risk

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

The Sheriff's Merit Board has not adopted a formal Investment policy that limits investment maturities as a means of managing its exposure to fair value losses.

Primary Government			
Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries and securities	\$ 500,000	\$ -	\$ -

Sheriff's Retirement and Benefit Pension Plans			
Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries and securities	\$ -	\$ 3,448,545	\$ -
Repurchase agreements	-	50,000	-
Totals	\$ -	\$ 3,498,545	\$ -

Credit Risk

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

Sheriff's Retirement and Benefit Pension Plans	
Standard and Poor's Rating	Government Sponsored Enterprise
Unrated	\$ 3,498,545

Concentration of Credit Risk

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

The Sheriff's Merit board has adopted the following policy for the concentration of credit risk: No more than 5 % of the investments account's total assets shall be committed to the securities of any one issuer at the time of purchase, with the exception of securities guaranteed by the full faith

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

and credit of the United States or securities issued by United States government-sponsored enterprises (as to which there is no limit) and no more than 30% shall be committed to any one industry with the exception of securities guaranteed by the full faith and credit of the United States or securities issued by United States government-sponsored enterprises (as to which there is no limit).

Foreign Currency Risk

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

The Sheriff's Merit Board has adopted a formal policy in regards to foreign currency. The policy states that foreign investments, defined as securities that are not denominated in United States dollars and/or that are traded solely on an exchange outside the United States are prohibited.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

On or before August 31, the fiscal officer of the County submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the County receives approval of the Indiana Department of Local Government Finance.

The County's management cannot transfer budgeted appropriations without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the total appropriations for any budgeted fund or any department of the general fund. The legal level of budgetary control is by function for all budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2005, disbursements exceeded budgeted appropriations in the following departments within the General Fund, by the amounts below:

Fund	Amount
County General:	
Title IV-D	\$ 1,355
Prosecutor	4,583
Air Pollution	8,957
Total	\$ 14,895

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

For the year ended December 31, 2005, disbursements exceeded budgeted appropriations in the following funds, by the amounts below:

Fund	Amount
New Clerk Incentive	\$ 1,878
Prosecutor Incentive	3,721
Convention and Tourism	155,149
Jail Bond	302,878
Cumulative Bridge	341,142
Child Welfare Services	<u>1,102,000</u>
 Total	 <u>\$ 1,906,768</u>

These disbursements were funded by disbursing cash on deposit for other funds.

C. Cash and Investment Balance Deficits

Cash and investment balance deficits for governmental and fiduciary funds arise primarily from disbursements exceeding receipts due to the underestimate of current requirements. These deficits are to be repaid from future receipts. The cash and investment balance deficits at December 31, 2005, are:

Fund	Amount
Project 21	\$ 1,017
Public Safety	5,041
Drug Court User Fee	9,622
Prosecutor Gun Grant	27,558
Bond and Interest Redemption	98,255
Family and Children	<u>421,503</u>
 Total	 <u>\$ 562,996</u>

III. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters are covered by commercial insurance from

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Group Health Insurance

The County has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Health Insurance Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$75,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid into the fund by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program.

B. Holding Corporation

The County has entered into two capital leases with the Vigo County Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the government. Lease payments during the year totaled \$396,313.

C. Conduit Debt Obligation

From time to time, the County has issued Economic Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the primary government, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2005, there were three series of Economic Development Revenue Bonds outstanding with an aggregate principal amount payable of \$18,067,106.

D. Administration of Welfare Programs

The County is required to provide certain funding for administrative costs of welfare programs, the Hospital Care for Indigent Program, Medical Assistance to Wards and Children with Special Health Care Needs through local property tax levies. The County remits those taxes to the State, which pays the cost.

E. Pension Plans

Agent Multiple-Employer and Single Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

The County contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the County authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

2. County Police Retirement Plan

Plan Description

The primary government contributes to the County Police Retirement Plan, which is a single-employer defined benefit pension plan. With the approval of the primary government's fiscal body, the plan is administered by the Sheriff's Department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides retirement, death, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting the County Sheriff.

Funding Policy and Annual Pension Cost

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

3. County Police Benefit Plan

Plan Description

The primary government contributes to the County Police Benefit Plan which is a single-employer defined benefit pension plan. With the approval of the primary government's fiscal body, the plan is administered by the Sheriff's Department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides dependent pensions, life insurance, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting the County Sheriff.

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

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

Actuarial Information for the Above Plans

	PERF	County Police Retirement Plan	County Police Benefit Plan
Annual required contribution	\$ 657,706	\$ 465,413	\$ 36,636
Interest on net pension obligation	32,039	(4,852)	-
Adjustment to annual required contribution	<u>(36,511)</u>	<u>8,899</u>	<u>-</u>
Annual pension cost	653,234	469,460	36,636
Contributions made	<u>527,116</u>	<u>496,110</u>	<u>36,636</u>
Increase (decrease) in net pension obligation	126,118	(26,650)	-
Net pension obligation, beginning of year	<u>441,921</u>	<u>(69,320)</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ 568,039</u>	<u>\$ (95,970)</u>	<u>\$ -</u>
Contribution rates:			
County	7%	35%	3%
Plan Members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-01-97	12-31-97	12-31-97
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

Actuarial Assumptions

Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	2%	0%

VIGO COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 618,842	59%	\$ 304,081
	06-30-04	576,099	76%	441,921
	06-30-05	653,234	91%	568,039
County Police Retirement Plan	12-31-03	336,348	70%	(54,533)
	12-31-04	385,794	104%	(69,320)
	12-31-05	469,460	107%	(95,970)
County Police Benefit Plan	12-31-03	39,001	100%	-
	12-31-04	37,360	100%	-
	12-31-05	36,636	100%	-

VIGO COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-01	\$ 12,782,526	\$ 10,243,906	\$ 2,538,620	125%	\$ 11,044,881	23%
07-01-02	12,247,858	12,018,086	229,772	102%	12,303,156	2%
07-01-03	12,163,527	11,578,392	585,135	105%	13,204,534	4%
07-01-04	12,194,571	12,403,581	(209,010)	98%	13,257,380	(2%)
07-01-05	12,609,901	14,052,041	(1,442,140)	90%	13,699,137	(11%)

County Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-02	\$ 6,110,313	\$ 6,110,313	\$ -	100%	\$ 1,315,026	0%
01-01-03	5,793,036	5,793,036	-	100%	1,287,744	0%
01-01-04	5,803,740	5,803,740	-	100%	1,314,579	0%
01-01-05	5,981,047	8,263,517	(2,282,470)	72%	1,445,365	(158%)
01-01-06	6,660,434	8,751,426	(2,090,992)	76%	1,440,425	(145%)

VIGO COUNTY  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2005

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,312,788
Buildings	29,669,505
Machinery and equipment	<u>5,237,216</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 38,219,509</u>

VIGO COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2005

Description of Asset	Present Value of Net Minimum Lease Payments	Ending Balance	Due Within One Year
Capital Leases:			
Juvenile Center	\$ 2,570,000	\$ 2,570,000	\$ 65,000
Courthouse Renovation	7,071,000	7,071,000	195,000
Sheriff Squad Cars	98,229	98,229	98,229
Governmental Activities:			
Notes and loans payable		\$ 198,049	\$ 43,700
Bonds payable:			
General obligation bonds:		5,735,000	135,000
Revenue bonds:		<u>2,375,000</u>	<u>95,000</u>
Total governmental activities long-term debt		<u>\$ 18,047,278</u>	<u>\$ 631,929</u>

VIGO COUNTY  
OTHER REPORTS

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

County Auditor  
County Sheriff  
County Juvenile Probation  
County Juvenile Restitution  
Convention and Visitors Bureau  
Board of County Commissioners

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF VIGO COUNTY, INDIANA

Compliance

We have audited the compliance of the Vigo County (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2005. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 7, 2006

VIGO COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (Or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education Child Nutrition Cluster			
National School Breakfast Program	10.553		\$ 7,157
National School Lunch Program	10.555		<u>12,386</u>
Total for Federal Grantor Agency			<u>19,543</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing Finance Authority Community Development Block Grants/State's Program	14.228		<u>25,000</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575		
		04-VA-133	32,703
		04-VA-134	23,955
		04-VA-153	32,703
		04-VA-154	42,745
		04-VA-155	<u>19,524</u>
Total for Program			<u>151,630</u>
Byrne Formula Grant Program	16.579		
		02-DB-049	97,733
		03-DB-047	43,247
		04-DB-042	<u>86,000</u>
Total for Program			<u>226,980</u>
Violence Against Women Formula Grants Woman Strength Woman Strength	16.588		
		04-VA-014	19,988
		05-VA-132	<u>17,133</u>
Total for Program			<u>37,121</u>
Community Prosecution and Project Safe Neighborhoods	16.609	2005-DJBX-0906	<u>8,000</u>
Total for Federal Grantor Agency			<u>423,731</u>

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

VIGO COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2005  
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (Or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute			
Highway Safety Cluster			
State and Community Highway Safety	20.600		
C.H.A.N.C.E.S. Community Prevention Program		02-JP-011	31,639
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		
Operation Pullover		154-AL-05-03-55	14,625
Operation Pullover		154-AL-05-03-97	17,000
Seat Belt Enforcement		IN 05-02-03-51	3,750
Indiana Statewide SADD		J8-05-03-04-02	47,500
Total for Program			82,875
Total for Federal Grantor Agency			114,514
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Surveys, Studies, Investigations and Special Purpose Grants	66.606	XP96567601-0	279,680
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Family and Social Services Administration			
Child Support Enforcement	93.563		
County Prosecutor's Expenditures			355,751
County Clerk of the Circuit Court Expenditures			86,727
Incentives			161,567
Indirect Costs			45,056
Total for Federal Grantor Agency			649,101
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana State Emergency Management Agency			
State Domestic Preparedness Equipment Support Program	97.004		1,700
Total Federal Awards Expended			\$ 1,513,269

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

VIGO COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Vigo County (County) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the County provided federal awards to Subrecipients as follows for the year ended December 31, 2005:

Program Title	Federal CFDA Number	2005
Community Development Block Grant/State's Program	14.228	\$ 25,000
Crime Victim Assistance	16.575	151,630
Violence Against Women Formula Grants	16.588	37,121
State and Community Highway Safety	20.600	31,639
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	82,875
Surveys, Studies, Investigations and Special Purpose Grants	66.606	279,680

VIGO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.563	Child Support Enforcement

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

VIGO COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

VIGO COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2006, with Judith A. Anderson, President of the County Commissioners; and Paul Mason and Bill Bryan, Commissioners.