

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF WABASH  
WABASH COUNTY, INDIANA

January 1, 2011 to December 31, 2011



**FILED**  
09/20/2012



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Meredith A. Brown Wendy D. Frazier	01-01-08 to 12-31-11 01-01-12 to 12-31-15
Mayor	Robert E. Vanlandingham	01-01-08 to 12-31-15
President of the Board of Public Works	Robert E. Vanlandingham	01-01-08 to 12-31-15
President of the Common Council	Scott Long Margaret Salb	01-01-11 to 12-31-11 01-01-12 to 12-31-12
Superintendent of Wastewater Utility	John Wonderly	01-01-11 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF WABASH, WABASH COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Wabash (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 noted above is a different basis than that used in the prior year.

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, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 2, 2012, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 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 statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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 Long-Term Debt, and Schedule of Capital Assets 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.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

August 2, 2012



**STATE OF INDIANA**  
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STATE BOARD OF ACCOUNTS  
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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 WABASH, WABASH COUNTY, INDIANA

We have audited the financial statement of the City of Wabash (City), for the year ended December 31, 2011, and have issued our report thereon dated August 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 entity's financial statement will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

August 2, 2012

## FINANCIAL STATEMENT

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 WABASH  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 6,673,505	\$ 6,301,136	\$ 6,785,927	\$ 6,188,714
Motor Vehicle Highway	1,508,582	1,287,838	1,368,983	1,427,437
Local Road and Street	31,301	46,124	-	77,425
Aviation	342,004	89,450	124,125	307,329
Park and Recreation - Nonreverting	-	766	766	-
Ambulance	696,074	926,265	783,082	839,257
Criminal Justice Grant	3,013	14,172	9,011	8,174
Law Enforcement Continuing Education	15,425	6,714	10,000	12,139
Clerk's Perpetuation	4,214	160	811	3,563
Park and Recreation	586,615	497,096	499,972	583,739
User Fees	14,097	414	-	14,511
Rainy Day	905,057	-	-	905,057
Levy Excess	19,765	-	19,765	-
Park and Recreation Nonreverting Capital	29,842	-	5,494	24,348
Redevelopment Commission	29,166	-	2,041	27,125
Economic Development Income Tax	439,516	459,541	470,490	428,567
Cumulative Capital Improvement	176,795	33,723	4,138	206,380
Self Insurance	1,959,390	-	-	1,959,390
Police Pension	1,321,202	506,137	704,936	1,122,403
Firefighter's Pension	1,227,847	720,141	988,930	959,058
Charley Creek Inn Bond	-	-	25,750	(25,750)
Aviation Grant	(9,475)	753,947	721,927	22,545
Brownfield Grant	738	-	-	738
Mainstreet Project	-	1,142,000	-	1,142,000
Manchester Avenue Grant	158,693	21,500	163,193	17,000
2010 Construction Works	1,654,461	17,650	598,355	1,073,756
Lighting Grant	(43,540)	43,540	-	-
Aviation Revolving	76,973	7,795	28,653	56,115
Street Bond	90,574	-	90,574	-
Street Debt Reserve	233,000	-	-	233,000
Civic Fund	5,669	1,750	3,414	4,005
Streetscape	(256,334)	301,215	44,881	-
Wastewater Operating	938,333	2,880,181	2,512,243	1,306,271
Wastewater Bond and Coupon	353,693	720,193	714,710	359,176
Wastewater Debt Service Reserve	350,000	-	-	350,000
Payroll	49,769	4,412,751	4,411,751	50,769
Pension Payroll	-	1,190,274	1,190,274	-
Court Cost Due County	2,131	2,847	3,067	1,911
Park Donation	4,367	5,000	5,000	4,367
Operation Good Neighbor	55	-	-	55
Storm Water	1,080,820	496,856	233,652	1,344,024
City Court	18,840	128,554	143,228	4,166
Totals	<u>\$ 20,692,177</u>	<u>\$ 23,015,730</u>	<u>\$ 22,669,143</u>	<u>\$ 21,038,764</u>

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

CITY OF WABASH  
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, 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 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. Receipts are recorded when received and disbursements are recorded when paid.

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 may include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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 which include amounts received from businesses, occupations, or non-businesses 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: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF WABASH  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution 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 which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine 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 which include receipts derived 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 which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are 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 may include the following uses:

Personal services include outflows 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 which include 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 office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include 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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

CITY OF WABASH  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are 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, transfer money 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 money 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 money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

CITY OF WABASH  
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, 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. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

**Note 6. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

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

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

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

CITY OF WABASH  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

*B. 1925 Police Officers' Pension Plan*

*Plan Description*

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

*Funding Policy*

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

*On Behalf Payments*

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

*C. 1937 Firefighters' Pension Plan*

*Plan Description*

The 1937 Firefighters' 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 36-8-7). 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 1937 Firefighters' Pension Plan are established by state statute.

*On Behalf Payments*

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

CITY OF WABASH  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*D. 1977 Police Officers' and Firefighters' Pension and Disability Fund*

*Plan Description*

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

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

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

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy*

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

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway 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 Annual Report of the City which is 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 supplementary information presented was prepared and/or approved by management of the City. It is presented as intended by the City.

CITY OF WABASH  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road and Street	Aviation	Park and Recreation - Nonreverting	Ambulance	Criminal Justice Grant
Cash and investments - beginning	\$ 6,673,505	\$ 1,508,582	\$ 31,301	\$ 342,004	\$ -	\$ 696,074	\$ 3,013
Receipts:							
Taxes	3,782,068	889,334	-	82,954	-	-	-
Licenses and permits	107,742	-	-	-	-	-	-
Intergovernmental	2,320,135	370,667	46,124	5,682	-	-	3,600
Charges for services	43,395	-	-	-	-	732,994	-
Fines and forfeits	9,446	-	-	-	-	-	-
Utility Fees	-	-	-	-	-	-	-
Other receipts	38,350	27,837	-	814	766	193,271	10,572
Total receipts	<u>6,301,136</u>	<u>1,287,838</u>	<u>46,124</u>	<u>89,450</u>	<u>766</u>	<u>926,265</u>	<u>14,172</u>
Disbursements:							
Personal services	4,632,730	589,017	-	98,678	-	386,919	-
Supplies	236,649	229,727	-	6,153	-	74,595	-
Other services and charges	1,391,731	401,891	-	17,265	766	49,842	-
Capital outlay	524,817	148,348	-	2,029	-	271,726	9,011
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>6,785,927</u>	<u>1,368,983</u>	<u>-</u>	<u>124,125</u>	<u>766</u>	<u>783,082</u>	<u>9,011</u>
Excess (deficiency) of receipts over disbursements	<u>(484,791)</u>	<u>(81,145)</u>	<u>46,124</u>	<u>(34,675)</u>	<u>-</u>	<u>143,183</u>	<u>5,161</u>
Cash and investments - ending	<u>\$ 6,188,714</u>	<u>\$ 1,427,437</u>	<u>\$ 77,425</u>	<u>\$ 307,329</u>	<u>\$ -</u>	<u>\$ 839,257</u>	<u>\$ 8,174</u>

CITY OF WABASH  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Law Enforcement Continuing Education	Clerk's Perpetuation	Park and Recreation	User Fees	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 15,425	\$ 4,214	\$ 586,615	\$ 14,097	\$ 905,057	\$ 19,765
Receipts:						
Taxes	-	-	425,525	-	-	-
Licenses and permits	2,580	-	-	-	-	-
Intergovernmental	-	-	29,191	-	-	-
Charges for services	4,134	160	32,690	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility Fees	-	-	-	-	-	-
Other receipts	-	-	9,690	414	-	-
Total receipts	<u>6,714</u>	<u>160</u>	<u>497,096</u>	<u>414</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	263,896	-	-	-
Supplies	-	-	77,089	-	-	-
Other services and charges	-	811	49,823	-	-	19,765
Capital outlay	10,000	-	109,164	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>10,000</u>	<u>811</u>	<u>499,972</u>	<u>-</u>	<u>-</u>	<u>19,765</u>
Excess (deficiency) of receipts over disbursements	<u>(3,286)</u>	<u>(651)</u>	<u>(2,876)</u>	<u>414</u>	<u>-</u>	<u>(19,765)</u>
Cash and investments - ending	<u>\$ 12,139</u>	<u>\$ 3,563</u>	<u>\$ 583,739</u>	<u>\$ 14,511</u>	<u>\$ 905,057</u>	<u>\$ -</u>

CITY OF WABASH  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Park and Recreation Nonreverting Capital	Redevelopment Commission	Economic Development Income Tax	Cumulative Capital Improvement	Self Insurance	Police Pension
Cash and investments - beginning	\$ 29,842	\$ 29,166	\$ 439,516	\$ 176,795	\$ 1,959,390	\$ 1,321,202
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	447,041	33,723	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility Fees	-	-	-	-	-	-
Other receipts	-	-	12,500	-	-	506,137
Total receipts	-	-	459,541	33,723	-	506,137
Disbursements:						
Personal services	-	-	-	-	-	487,425
Supplies	-	-	-	-	-	-
Other services and charges	5,494	2,041	60,000	-	-	217,511
Capital outlay	-	-	410,490	4,138	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	5,494	2,041	470,490	4,138	-	704,936
Excess (deficiency) of receipts over disbursements	(5,494)	(2,041)	(10,949)	29,585	-	(198,799)
Cash and investments - ending	\$ 24,348	\$ 27,125	\$ 428,567	\$ 206,380	\$ 1,959,390	\$ 1,122,403

CITY OF WABASH  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Firefighter's Pension	Charley Creek Inn Bond	Aviation Grant	Brownfield Grant	Mainstreet Project	Manchester Avenue Grant
Cash and investments - beginning	\$ 1,227,847	\$ -	\$ (9,475)	\$ 738	\$ -	\$ 158,693
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	726,080	-	-	21,500
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility Fees	-	-	-	-	-	-
Other receipts	720,141	-	27,867	-	1,142,000	-
Total receipts	<u>720,141</u>	<u>-</u>	<u>753,947</u>	<u>-</u>	<u>1,142,000</u>	<u>21,500</u>
Disbursements:						
Personal services	988,930	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	25,750	721,927	-	-	163,193
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>988,930</u>	<u>25,750</u>	<u>721,927</u>	<u>-</u>	<u>-</u>	<u>163,193</u>
Excess (deficiency) of receipts over disbursements	<u>(268,789)</u>	<u>(25,750)</u>	<u>32,020</u>	<u>-</u>	<u>1,142,000</u>	<u>(141,693)</u>
Cash and investments - ending	<u>\$ 959,058</u>	<u>\$ (25,750)</u>	<u>\$ 22,545</u>	<u>\$ 738</u>	<u>\$ 1,142,000</u>	<u>\$ 17,000</u>

CITY OF WABASH  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	2010 Construction Works	Lighting Grant	Aviation Revolving	Street Bond	Street Debt Reserve	Civic Fund
Cash and investments - beginning	\$ 1,654,461	\$ (43,540)	\$ 76,973	\$ 90,574	\$ 233,000	\$ 5,669
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	17,650	43,540	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility Fees	-	-	-	-	-	-
Other receipts	-	-	7,795	-	-	1,750
Total receipts	<u>17,650</u>	<u>43,540</u>	<u>7,795</u>	<u>-</u>	<u>-</u>	<u>1,750</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	28,653	90,574	-	3,414
Capital outlay	598,355	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>598,355</u>	<u>-</u>	<u>28,653</u>	<u>90,574</u>	<u>-</u>	<u>3,414</u>
Excess (deficiency) of receipts over disbursements	<u>(580,705)</u>	<u>43,540</u>	<u>(20,858)</u>	<u>(90,574)</u>	<u>-</u>	<u>(1,664)</u>
Cash and investments - ending	<u>\$ 1,073,756</u>	<u>\$ -</u>	<u>\$ 56,115</u>	<u>\$ -</u>	<u>\$ 233,000</u>	<u>\$ 4,005</u>

CITY OF WABASH  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Streetscape	Wastewater Operating	Wastewater Bond and Coupon	Wastewater Debt Service Reserve	Payroll	Pension Payroll
Cash and investments - beginning	\$ (256,334)	\$ 938,333	\$ 353,693	\$ 350,000	\$ 49,769	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	32,705	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility Fees	-	2,771,707	-	-	-	-
Other receipts	268,510	108,474	720,193	-	4,412,751	1,190,274
Total receipts	<u>301,215</u>	<u>2,880,181</u>	<u>720,193</u>	<u>-</u>	<u>4,412,751</u>	<u>1,190,274</u>
Disbursements:						
Personal services	-	579,276	-	-	3,119,816	-
Supplies	-	335,464	-	-	-	-
Other services and charges	-	1,597,503	714,710	-	-	-
Capital outlay	44,881	-	-	-	-	-
Other disbursements	-	-	-	-	1,291,935	1,190,274
Total disbursements	<u>44,881</u>	<u>2,512,243</u>	<u>714,710</u>	<u>-</u>	<u>4,411,751</u>	<u>1,190,274</u>
Excess (deficiency) of receipts over disbursements	<u>256,334</u>	<u>367,938</u>	<u>5,483</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 1,306,271</u>	<u>\$ 359,176</u>	<u>\$ 350,000</u>	<u>\$ 50,769</u>	<u>\$ -</u>

CITY OF WABASH  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Court Cost Due County	Park Donation	Operation Good Neighbor	Storm Water	City Court	Totals
Cash and investments - beginning	\$ 2,131	\$ 4,367	\$ 55	\$ 1,080,820	\$ 18,840	\$ 20,692,177
Receipts:						
Taxes	-	-	-	-	-	5,179,881
Licenses and permits	-	-	-	-	-	110,322
Intergovernmental	-	-	-	-	-	4,097,638
Charges for services	-	-	-	496,856	-	1,310,229
Fines and forfeits	-	-	-	-	-	9,446
Utility Fees	-	-	-	-	-	2,771,707
Other receipts	2,847	5,000	-	-	128,554	9,536,507
Total receipts	<u>2,847</u>	<u>5,000</u>	<u>-</u>	<u>496,856</u>	<u>128,554</u>	<u>23,015,730</u>
Disbursements:						
Personal services	-	-	-	-	-	11,146,687
Supplies	-	-	-	-	-	959,677
Other services and charges	-	-	-	-	-	4,651,794
Capital outlay	-	-	-	-	-	3,043,829
Other disbursements	3,067	5,000	-	233,652	143,228	2,867,156
Total disbursements	<u>3,067</u>	<u>5,000</u>	<u>-</u>	<u>233,652</u>	<u>143,228</u>	<u>22,669,143</u>
Excess (deficiency) of receipts over disbursements	<u>(220)</u>	<u>-</u>	<u>-</u>	<u>263,204</u>	<u>(14,674)</u>	<u>346,587</u>
Cash and investments - ending	<u>\$ 1,911</u>	<u>\$ 4,367</u>	<u>\$ 55</u>	<u>\$ 1,344,024</u>	<u>\$ 4,166</u>	<u>\$ 21,038,764</u>

CITY OF WABASH  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2011

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital Lease:		
Police vehicles 2011	\$ 47,850	\$ 26,266
Loan payable:		
Indiana Development Finance Authority	143,417	49,770
Bonds payable:		
General obligation bonds:		
Acquisition and construction of capital facilities	<u>1,040,000</u>	<u>239,580</u>
<b>Total governmental activities debt</b>	<b><u>\$ 1,231,267</u></b>	<b><u>\$ 315,616</u></b>
Business-type Activities:		
Wastewater Utility:		
Revenue Bonds:		
2009 Sewage works refunding	\$ 1,595,000	\$ 666,060
2010 Sewage works	<u>1,765,000</u>	<u>51,250</u>
<b>Total business-type activities debt</b>	<b><u>\$ 3,360,000</u></b>	<b><u>\$ 717,310</u></b>

CITY OF WABASH  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2011

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	\$ 3,515,031
Infrastructure	5,729,042
Buildings	5,830,646
Improvements other than buildings	5,990,354
Machinery and equipment	5,920,717
Total governmental activities	26,985,790
Wastewater Utility:	
Land	134,606
Buildings	9,769,988
Improvements other than buildings	4,503,003
Machinery and equipment	1,652,496
Total Wastewater Utility	16,060,093
Total capital assets	\$ 43,045,883

CITY OF WABASH  
OTHER REPORT

The annual report presented herein was prepared in addition to an official report prepared for the individual City office listed below:

City Court

CITY OF WABASH  
AUDIT RESULTS AND COMMENTS

***APPROPRIATIONS***

The Firefighter's Pension Fund and Police Pension Fund expenditures exceeded budgeted appropriations by \$219,330 and \$121,336, respectively. A similar comment appeared in prior Report B38779.

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

***COMPENSATION – NONEMPLOYEES***

A city employee's spouse was paid \$20,753 to paint and remodel city hall. The claims submitted for payment indicated total hours worked and rate of pay, but were not itemized with detailed documentation such as which days were worked and the number of hours worked per day. The claims submitted for payment were completed by the city employee, not the spouse who performed the work. The compensation was not supported by an employment contract and a Form 1099-MISC (Miscellaneous Income) was not issued for the compensation.

All payments for services should be supported by a written contract. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***ANNUAL REPORT***

The financial transactions and cash balances of the City Court were not included in the 2011 City of Wabash Annual Report. The Annual Report has been restated to include this department.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***INTERNAL CONTROLS OVER AIRPORT FUEL INVENTORY***

Controls over aviation fuel inventory are insufficient. Beginning balances, purchases and sales of fuel are not monitored to determine if the inventory balance on hand is accurate.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF WABASH  
AUDIT RESULTS AND COMMENTS  
(Continued)

**AIRPORT FUEL SALE RECORDS**

All airport fuel purchases and sales are accounted for by AvFuel, the fuel distributor, and maintained in a separate account on behalf of the City. The purchase of fuel sold at the airport is deducted from the sales, resulting in a credit balance with AvFuel. The City's credit balance with AvFuel at December 31, 2011, was \$9,801.

Fuel sold at the airport is by credit card only. Airport credit card sales reports did not agree with AvFuel's Transaction History Report. No attempt has been made to reconcile the airport's sales reports to AvFuel's sales reports.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**PUBLIC WORKS PROJECT**

Gaunt and Son Asphalt completed several paving projects for the City during 2011. The Harrison Avenue project cost approximately \$87,000 and the Berkley Street project cost approximately \$106,000. Project costs included HMA binder, HMA surface and milling. Competitive bids or quotes were not taken for these projects themselves. Binder and surface material costs were based on an annual bid taken for the Street Department materials.

Indiana Code 36-1-12-4.7 states in part:

"(a) This section applies whenever a public work project is estimated to cost:

- (1) except as provided in subdivision
- (2) at least fifty thousand dollars (\$50,000) and less than one hundred fifty thousand dollars (\$150,000) . . .

(b) The board must proceed under the following provisions:

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done . . ."

CITY OF WABASH  
AUDIT RESULTS AND COMMENTS  
(Continued)

***INTEREST ON INVESTMENTS***

Interest totaling \$11,498, earned on various investments over the last two audit periods, was not recorded in the records of the City.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF WABASH, WABASH COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Wabash (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2011. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, 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

August 2, 2012

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF WABASH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs CDBG - State Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	DR2-09-028	\$ 111,362
Total for federal grantor agency			<u>111,362</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	11-02-01-32	2,871
Safety Belt Performance Grants	20.609	12-04-02-27	<u>232</u>
Total for cluster			<u>3,103</u>
Direct Grant Airport Improvement Program	20.106	3-18-0084-09 3-18-0084-11	650,635 <u>35,196</u>
Total for program			<u>685,831</u>
Total for federal grantor agency			<u>688,934</u>
Total federal awards expended			<u>\$ 800,296</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF WABASH  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Wabash and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF WABASH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to the financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee?	no
--	----

**Section II – Financial Statement Findings**

No matters are reportable.

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

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2011-1 - CASH MANAGEMENT**

Federal Agency: U.S. Department of Transportation  
Federal Program: Airport Improvement Program  
CFDA Number: 20.106  
Federal Award Number and Year: 3-18-0084-09, 3-18-0084-11

The City of Wabash did not timely disburse Airport Improvement Program grant funds as required by laws and regulations. Payments for engineering and taxiway rehabilitation at the airport were not made timely during the audit period. Six federal grant receipts were held from 21 to 46 days before being disbursed.

OMB Circular A-133, Section .300(b) states:

"The auditee shall:

Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

49CFR, subtitle A, 18.21(b) states in part:

"Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, . . . "

Failure to disburse grant receipts timely could cause the City to be deemed ineligible to receive future federal grant awards and require them to remit interest earned on monies held in deposit.

Lack of communication between City officials, airport officials and the engineering firm overseeing the process often caused invoices to be submitted and paid in an untimely manner.

We recommended the City develop and implement procedures and controls to ensure the time between receipt and disbursement of federal funds is minimized according to the grant requirements.

CITY OF WABASH  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



# City of Wabash

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August 2, 2012

Corrective Action Plan for City of Wabash

State Board of Accounts  
3302 Washington St., Room E418  
Indianapolis, IN 46204-2765

In response to your audit of the financial records of City of Wabash as of  
December 31, 2011:

Finding 2011-1, Cash Management

Corrective Action Planned:

The Clerk-Treasurer's Office will implement better communication with the Airport Board and NGC Engineering firm to monitor the grant fund balances. Since this is a reimbursement grant, the Clerk-Treasurer's Office will monitor the grant receipts and make sure the disbursements have been processed in a timely manner. The Deputy Clerk-Treasurer will record the date and time the Airport Manager makes the disbursements available to the Deputy to process.

Signed: Wendy Frazier

Name: Wendy Frazier  
Title: City Clerk-Treasurer

Date: 8-2-12

CITY OF WABASH  
EXIT CONFERENCE

The contents of this report were discussed on August 2, 2012, with Wendy D. Frazier, Clerk-Treasurer; Robert E. Vanlandingham, Mayor; and Margaret Salb, President of the Common Council. The officials concurred with our audit findings.