

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

ANNUAL FINANCIAL REPORT

2005

WELLS COUNTY, INDIANA



**FILED**  
7/19/06



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Mary A. Towne	01-01-03 to 12-31-06
Treasurer	Rinda S. Vaughn	01-01-05 to 12-31-08
Clerk	Beth Davis	01-01-03 to 12-31-06
Sheriff	Barry J. Story	01-01-03 to 12-31-06
Recorder	Sandra K. Fair	01-01-05 to 12-31-08
President of the Board of County Commissioners	Randal E. Plummer	01-01-05 to 12-31-06
President of the County Council	Peter W. Cole	01-01-05 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF WELLS COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wells 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.

Except as described below, 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 I, 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.

As discussed in Note I, the financial statements referred to above do not include a number of component units of the County which should have been included to fairly present the financial position of the County.

We were unable to audit the note disclosure relating to capital assets of the County due to lack of capital asset records; nor were we able to satisfy ourselves as to the value of the capital assets by other auditing procedures.

In our opinion, except that the omission of the component units of the County results in incomplete presentation, and the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the capital assets, 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 I.

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.

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

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.

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 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.

STATE BOARD OF ACCOUNTS

June 28, 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 WELLS COUNTY, INDIANA

We have audited the financial statements of Wells County (County), as of and for the year ended December 31, 2005, and have issued our report thereon dated June 28, 2006. The opinion to the financial statements was qualified due to the omission of the component units of Wells County and the omission of capital asset records which results in incomplete presentation. 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.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe none of the reportable conditions described above is a material weakness.

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  
(Continued)

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the County on June 28, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

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 28, 2006

WELLS COUNTY  
 STATEMENT OF CASH AND INVESTMENTS  
 December 31, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Cash and investments	\$ 3,124,328
Restricted assets:	
Cash and investments	<u>5,387,637</u>
 Total assets	 <u>\$ 8,511,965</u>
 <u>Net Assets</u>	
Restricted for:	
Highways and streets	\$ 391,231
Health and welfare	1,187,157
Other purposes	3,809,249
Unrestricted	<u>3,124,328</u>
 Total net assets	 <u>\$ 8,511,965</u>

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

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

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 4,183,725	\$ 312,134	\$ 525,920	\$ 514,780	\$ (2,830,891)
Public safety	4,753,693	1,098,491	474,792	443,650	(2,736,760)
Highways and streets	3,143,489	134,123	2,097,106	303,976	(608,284)
Health and welfare	1,882,366	159,733	814,225	-	(908,408)
Economic development	671,023	-	-	677,394	6,371
Interest on long-term debt	54,423	-	-	-	(54,423)
<b>Total primary government</b>	<b>\$ 14,688,719</b>	<b>\$ 1,704,481</b>	<b>\$ 3,912,043</b>	<b>\$ 1,939,800</b>	<b>(7,132,395)</b>
General receipts:					
Property taxes					5,054,992
Other local sources					2,443,915
Grants and contributions not restricted to specific programs					87,200
Unrestricted investment earnings					305,413
<b>Total general receipts</b>					<b>7,891,520</b>
<b>Change in net assets</b>					<b>759,125</b>
<b>Net assets - beginning</b>					<b>7,752,840</b>
<b>Net assets - ending</b>					<b>\$ 8,511,965</b>

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

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

	General	County Highway	County Family and Children	Other Governmental Funds	Totals
Cash and investments - January 1	\$ 2,624,265	\$ 791,187	\$ 215,769	\$ 4,121,619	\$ 7,752,840
Operating receipts:					
Taxes	2,999,510	-	1,430,049	625,433	5,054,992
Special assessments	-	-	-	935,547	935,547
Licenses and permits	-	-	-	2,435	2,435
Intergovernmental	2,936,643	2,097,106	491,865	2,212,255	7,737,869
Charges for services	251,678	134,123	-	621,448	1,007,249
Fines and forfeits	135,011	-	-	-	135,011
Other	439,594	22,493	28,989	83,665	574,741
Total operating receipts	6,762,436	2,253,722	1,950,903	4,480,783	15,447,844
Transfers in	251,805	-	-	268,619	520,424
Total receipts	7,014,241	2,253,722	1,950,903	4,749,402	15,968,268
Operating disbursements:					
General government	3,370,034	-	-	813,691	4,183,725
Public safety	3,340,236	-	-	998,457	4,338,693
Highways and streets	50,107	2,794,162	-	299,220	3,143,489
Health and welfare	381,947	-	1,146,868	353,551	1,882,366
Economic development	-	-	-	671,023	671,023
Debt service:					
Principal	-	-	-	415,000	415,000
Interest and paying agent fees	-	-	-	54,423	54,423
Total operating disbursements	7,142,324	2,794,162	1,146,868	3,605,365	14,688,719
Transfers out	-	-	-	520,424	520,424
Total disbursements	7,142,324	2,794,162	1,146,868	4,125,789	15,209,143
Excess (deficiency) of total receipts over (under) total disbursements	(128,083)	(540,440)	804,035	623,613	759,125
Cash and investments - December 31	\$ 2,496,182	\$ 250,747	\$ 1,019,804	\$ 4,745,232	\$ 8,511,965

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

WELLS 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	\$ 1,844,416	\$ 31,968	\$ 1,808,843
Additions:			
Contributions:			
Employer	228,378	-	-
Plan members	17,036	-	-
Other	-	3,126	-
Total contributions	<u>245,414</u>	<u>3,126</u>	<u>-</u>
Investment earnings:			
Interest	<u>217,812</u>	<u>-</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>74,996,754</u>
Total additions	<u>463,226</u>	<u>3,126</u>	<u>74,996,754</u>
Deductions:			
Benefits	82,740	-	-
Administrative expense	4,082	-	-
Other	10,014	1,510	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>75,829,280</u>
Total deductions	<u>96,836</u>	<u>1,510</u>	<u>75,829,280</u>
Excess (deficiency) of total additions over (under) total deductions	<u>366,390</u>	<u>1,616</u>	<u>(832,526)</u>
Cash and investments - December 31	<u>\$ 2,210,806</u>	<u>\$ 33,584</u>	<u>\$ 976,317</u>

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

WELLS 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).

Management has chosen to omit from these financial statements component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary to fairly present the financial position of the County.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the County is financially accountable.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment 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 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.

WELLS 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.

The county highway fund accounts for the collection of state motor vehicle highway distributions and other related taxes and fees. The principal uses are for the maintenance, repair, and preservation of county highways.

The family and children fund is used to account for the collection of property taxes and state distributions to be used for the health and welfare of the citizens of Wells County.

Additionally, the County reports the following fund types:

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 funds account for donations held by the county for uses restricted by the donor.

Agency funds account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds 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). The County does not have any enterprise or 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. Deposits and Investments

State statute (IC 5-13-9) authorizes the County 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.

Governmental and Fiduciary Funds

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

WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. 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). 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.

3. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 6 days per year. Unused sick leave may be accumulated to a maximum of 24 days. Accumulated sick leave is not paid to employees upon termination.

b. Vacation Leave

Employees earn vacation leave at rates from 5 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

Employees earn personal leave at the rate of 6 days per year. Personal leave does not accumulate from year to year.

II. Stewardship, Compliance and Accountability

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.

WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County'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. As of December 31, 2005, the Sheriff's Pension Plans had the following investments:

Investment Type	Pension Plan	Investment Maturities (in Years)			Totals
	Market Value	Less than 5	5-10	More than 10	
Mutual funds	\$ 146,444	\$ 146,444	\$ -	\$ -	\$ 146,444
Corporate stock	1,417,512	1,417,512	-	-	1,417,512
Government sponsored enterprises	201,796	186,571	15,225	-	201,796
U.S. treasuries and securities	254,633	224,930	29,703	-	254,633
Corporate bonds	109,711	17,349	84,065	8,297	109,711
Totals	<u>\$ 2,130,096</u>	<u>\$ 1,992,806</u>	<u>\$ 128,993</u>	<u>\$ 8,297</u>	<u>\$ 2,130,096</u>

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 county 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

WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 Plans are not subject to the same investment laws as the County. The Sheriff's Merit Board has not adopted a formal investment policy.

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. Neither the County nor the Sheriff's Pension Plans have a formal investment policy for custodial credit risk. At December 31, 2005, the Sheriff's Pension Plans held investments in Mutual Funds, Corporate Stocks, Government Sponsored Enterprises, U.S. Treasuries and Securities and Corporate Bonds in the amount of \$2,130,096. These investments were held by the counterparty's trust department or agent but not in the County's name.

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 Pension Plans do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

Standard and Poor's Rating	Moody's Rating	Mutual Funds	Corporate Bonds	Government Sponsored Enterprises	Totals
AAA	AAA	\$ -	\$ 18,237	\$ 201,796	\$ 220,033
A	A	-	82,911	-	82,911
B	B	-	8,563	-	8,563
Unrated	Unrated	146,444	-	-	146,444
Totals		<u>\$ 146,444</u>	<u>\$ 109,711</u>	<u>\$ 201,796</u>	<u>\$ 457,951</u>

WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 not adopted a policy for the concentration of credit risk.

Foreign Currency Risk

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

B. Leases

Capital Leases

The County has entered into a capital lease for a jail. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of December 31, 2005, for the years ended December 31, are as follows:

2006	\$	473,525
2007		<u>336,050</u>
Total minimum lease payments		809,575
Less amount representing interest		<u>44,575</u>
Present value of net minimum lease payments		<u><u>\$ 765,000</u></u>

The assets acquired through capital leases still in effect are as follows:

	<u>Governmental Activities</u>
Land	\$ 23,360
Buildings	4,211,640
Transportation equipment	<u>145,000</u>
Total	<u><u>\$ 4,380,000</u></u>

C. Short-Term Liabilities

Other Short-Term Loans

The County obtained a short-term loan to purchase election equipment.

WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Short-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed/ Repayments</u>	<u>Ending Balance</u>
Short-term loans	\$ 5,248	\$ -	\$ 5,248	\$ -

D. Long-Term Liabilities

1. Loans Payable

The County has entered into a loan. Annual debt service requirements to maturity for the loan, including interest of \$215,215, as of December 31, 2005, for the years ended December 31, is as follows:

	<u>Energy Savings</u>
2006	\$ 238,997
2007	238,996
2008	238,997
2009	238,997
2010	238,996
Thereafter	<u>238,997</u>
Total	<u>\$ 1,433,980</u>

2. Changes in Long-Term Debt

Long-term debt activity for the year ended December 31, 2005, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 1,180,000	\$ -	\$ 415,000	\$ 765,000	\$ 440,000
Loans payable	<u>1,393,816</u>	<u>-</u>	<u>175,051</u>	<u>1,218,765</u>	<u>178,023</u>
Total governmental activities long-term liabilities	<u>\$ 2,573,816</u>	<u>\$ -</u>	<u>\$ 590,051</u>	<u>\$ 1,983,765</u>	<u>\$ 618,023</u>

IV. 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; and natural disasters.

WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Holding Corporation

The County has entered into a capital lease with Wells County Jail Building Improvement 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 \$469,422.

C. 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.

D. 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 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

WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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.

WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plans

	PERF	County Police Retirement Plan	County Police Benefit Plan
Annual required contribution	\$ 132,133	\$ 189,541	\$ 5,882
Interest on net pension obligation	(15,555)	2,519	-
Adjustment to annual required contribution	<u>17,726</u>	<u>(3,616)</u>	<u>-</u>
Annual pension cost	134,304	188,444	5,882
Contributions made	<u>161,129</u>	<u>198,556</u>	<u>5,882</u>
Decrease in net pension obligation	(26,825)	(10,112)	-
Net pension obligation, beginning of year	<u>(214,551)</u>	<u>35,980</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ (241,376)</u>	<u>\$ 25,868</u>	<u>\$ -</u>

	PERF	County Police Retirement Plan	County Police Benefit Plan
Contribution rates:			
County	4.5%	39%	1%
Plan members	3%	6%	None
Actuarial valuation date	07-01-05	01-01-05	01-01-05
Actuarial cost method	Entry age	Entry age	Aggregate
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	*
Amortization period	36 years	35 years	*
Amortization period (from date)	07-01-97	12-31-97	12-31-97
Asset valuation method	4 year smoothed market	Market value	Market value

\*The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. The actuarial present value of projected benefits of the group in excess of the actuarial value of assets is allocated on a level basis over the earnings of the group.

WELLS COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Assumptions	PERF	County Police Retirement Plan	County Police Benefit Plan
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%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 153,130	106%	\$ (159,972)
	06-30-04	112,438	149%	(214,551)
	06-30-05	134,304	143%	(241,376)
County Police Retirement Plan	12-31-02	158,345	107%	30,092
	12-31-03	170,263	97%	35,980
	12-31-04	188,444	105%	25,868
County Police Benefit Plan	12-31-02	3,661	100%	-
	12-31-03	4,670	100%	-
	12-31-04	5,882	100%	-

WELLS 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 AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 2,786,759	\$ 2,570,845	\$ 215,914	108%	\$ 2,948,517	7%
07-01-04	2,847,832	2,737,493	110,339	104%	3,176,447	3%
07-01-05	8,141,397	5,972,159	2,169,238	136%	3,328,049	65%

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)
01-01-00	\$ 1,262,448	\$ 1,308,894	\$ (46,446)	96%	\$ 454,592	(10%)
01-01-01	1,312,742	1,873,632	(560,890)	70%	468,132	(120%)
01-01-02	1,335,534	1,862,799	(527,265)	72%	519,670	(101%)
01-01-03	1,415,938	1,922,431	(506,493)	74%	484,456	(105%)
01-01-04	1,530,973	2,033,902	(502,929)	75%	536,822	(94%)
01-01-05	1,715,143	2,196,825	(481,682)	78%	549,637	(88%)

WELLS 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 Treasurer

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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 WELLS COUNTY, INDIANA

Compliance

We have audited the compliance of Wells 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 its major federal program for the year ended December 31, 2005. The County'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 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 its major federal program for the year ended December 31, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2005-2.

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 28, 2006

WELLS COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2005

Federal Grantor Agency/Pass-Through Entity 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 Department of Transportation Formula Grants for Other Than Urbanized Areas	20.509		\$ 53,500
Pass-Through Indiana Department of Homeland Security Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		13,869
Total for federal grantor agency			67,369
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Indiana Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance Public Health Coordinator	93.283		44,577
Bioterrorism Preparedness and Response Supplemental		BPRS 190-2 BPRS04 A-2 89	2,572
Total for program			47,149
Pass-Through Indiana Family and Social Services Administration Child Support Enforcement	93.563		
County Prosecutor's Expenditures			102,292
County Clerk's Expenditures			45,703
Indirect Costs			16,525
Collection Incentives			46,736
Total for program			211,256
Total for federal grantor agency			258,405
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security State Domestic Preparedness Equipment Support Program	97.004		
Law Enforcement Terrorism Prevention Program			34,483
State Homeland Security Grant Program			368,315
GIS Orthophotography			18,391
Total for program			421,189
Public Assistance Grants	97.036		51,556
Hazard Mitigation Grant	97.039		13,500
Emergency Management Performance Grants	97.042		10,469
Total for federal grantor agency			496,714
Total federal awards expended			\$ 822,488

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

WELLS COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Wells 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 II. Noncash Assistance

The County expended the following amount of noncash assistance for the year ending December 31, 2005. This noncash assistance is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005
State Domestic Preparedness Equipment Support Program	97.004	\$ 18,391

WELLS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? yes

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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
97.004	State Domestic Preparedness Equipment Support Program

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

Auditee qualified as low-risk auditee? no

WELLS COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Section II – Financial Statement Findings

FINDING 2005-1, CAPITAL ASSETS

Capital asset records presented for audit were not adequate or complete. Records did not contain any dates indicating what period was covered, or date of additions or deletions. A complete and accurate record of equipment purchased with Homeland Security Grant Program funds was presented for audit of that grant.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for County Auditors Chapter 14)

The existence of this reportable condition resulted in the Independent Auditor's Report on financial statements receiving a qualified opinion.

We recommended that the County maintain capital asset records.

Section III – Federal Award Findings and Questioned Costs

FINDING 2005-2, PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Federal Agency: U.S. Department of Homeland Security  
Federal Program: State Domestic Preparedness Equipment Support Program  
CFDA Number: 97.004  
Pass-Through Agency: Indiana Department of Homeland Security

State Homeland Security Grant Program funds in the amount of \$108,315 were held unspent past the specified time period. As a condition of the federal Homeland Security grant, these funds were required to be spent by December 31, 2004, unless the County requested and received an extension from the State. No extension was requested.

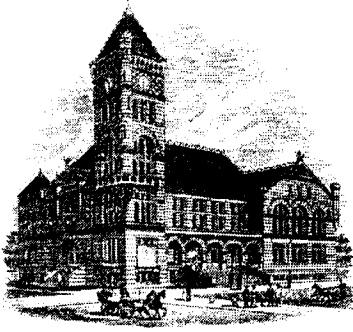
OMB Circular A-133 requires recipients to establish and follow procedures to minimize the time elapsing between the transfer of funds to recipients and the actual disbursement of funds.

Failure to comply with this requirement may cause the subgrant agreement between Wells County and the State to be terminated and funds deobligated.

We recommended officials monitor the timeliness of disbursement of federal funds.

WELLS COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



## MARY A. TOWNE

AUDITOR OF WELLS COUNTY

102 W. MARKET • SUITE 205  
COURTHOUSE • BLUFFTON, INDIANA 46714  
TELEPHONE (260) 824-6470

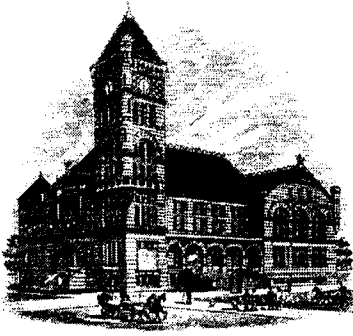
### Corrective Action Plan

#### Finding #2005-1 Capital Assets

I understand the importance of maintaining capital assets records for the required reporting in the financial statements and for maintaining good internal control. My goal for future audits is to have the capital asset records maintained.

Date 6/28/06

Mary A. Towne  
Mary A. Towne  
Wells County Auditor



## MARY A. TOWNE

AUDITOR OF WELLS COUNTY

102 W. MARKET • SUITE 205  
COURTHOUSE • BLUFFTON, INDIANA 46714  
TELEPHONE (260) 824-6470

### Corrective Action Plan

#### Finding #2005-2 Period of Availability of Federal Funds

Federal Agency: U.S. Department of Homeland Security

Federal Program: State Domestic Preparedness Equipment Support Program

CFDA Number: 97.004

Pass Through Agency: Indiana Department of Homeland Security

I understand the importance of maintaining internal controls for the federal funded programs. A policy will be observed in the future. My goal for future audits is to not allow this to happen.

Date 6/28/06

Mary A. Towne  
Mary A. Towne  
Wells County Auditor

WELLS COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2006, with Peter W. Cole, President of the County Council; and Mary A. Towne, Auditor.