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

ANNUAL FINANCIAL REPORT

2005

DUBOIS COUNTY, INDIANA



FILED
7/27/06

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Martha A. Wehr	01-01-04 to 12-31-07
Treasurer	Bonnie Luebbehusen	01-01-05 to 12-31-08
Clerk	Kathy Hopf	01-01-03 to 12-31-06
Sheriff	Jerry Breeding	01-01-03 to 12-31-06
Recorder	Brenda Schnarr	01-01-03 to 12-31-06
President of the Board of County Commissioners	Lawrence M. Vollmer John G. Burger	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the County Council	Gregory A. Kendall	01-01-05 to 12-31-06



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF DUBOIS COUNTY, INDIANA

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

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

As discussed in Note 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.

In our opinion, except that the omission of the component units of the County referred to in the preceding paragraph results in incomplete presentation, 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 May 17, 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

May 17, 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 DUBOIS COUNTY, INDIANA

We have audited the financial statements of Dubois County (County), as of and for the year ended December 31, 2005, and have issued our report thereon dated May 17, 2006. The opinion to the financial statements was qualified due to the omission of component units which results in incomplete presentation. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

STATE BOARD OF ACCOUNTS

May 17, 2006

DUBOIS COUNTY
STATEMENT OF CASH AND INVESTMENTS
December 31, 2005

<u>Assets</u>	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Cash and investments	\$ 3,718,680
Restricted assets:	
Cash and investments	16,246,342
Total assets	\$ 19,965,022
<u>Net Assets</u>	
Restricted for:	
General government	\$ 5,550,175
Public safety	1,656,286
Highways and streets	2,487,039
Sanitation	103,044
Health and welfare	507,807
Culture and recreation	191,250
Economic development	5,542,239
Debt service	208,502
Unrestricted	3,718,680
Total net assets	\$ 19,965,022

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

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

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,306,720	\$ 681,285	\$ 210,282	\$ 67,426	\$ (4,347,727)
Public safety	4,456,385	1,530,212	523,810	19,937	(2,382,426)
Highways and streets	4,294,127	7,537	3,223,361	1,051,177	(12,052)
Sanitation	387,827	173,047	89,155	-	(125,625)
Health and welfare	2,499,359	224,446	875,073	-	(1,399,840)
Economic development	1,204,942	-	-	-	(1,204,942)
Culture and recreation	361,597	27,015	34,486	-	(300,096)
Total primary government	<u>\$ 18,510,957</u>	<u>\$ 2,643,542</u>	<u>\$ 4,956,167</u>	<u>\$ 1,138,540</u>	<u>(9,772,708)</u>
General receipts:					
Property taxes					6,174,421
Other local sources:					
Other taxes					4,258,358
Miscellaneous					254,624
Unrestricted investment earnings					729,040
Total general receipts					<u>11,416,443</u>
Change in net assets					1,643,735
Net assets - beginning					<u>18,321,287</u>
Net assets - ending					<u>\$ 19,965,022</u>

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

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

	General	County Highway	County EDIT	Cumulative Capital Development	Other Governmental Funds	Totals
Cash and investments - January 1	\$ 3,126,653	\$ 968,658	\$ 4,423,331	\$ 2,844,459	\$ 6,738,850	\$ 18,101,951
Operating receipts:						
Taxes	5,818,914	78,862	1,493,923	517,880	1,894,292	9,803,871
Intergovernmental	808,250	2,663,637	-	67,426	1,873,433	5,412,746
Charges for services	198,603	-	-	-	1,396,982	1,595,585
Fines and forfeits	181,371	-	-	-	650,182	831,553
Other	758,293	168,251	945,255	-	376,009	2,247,808
Total operating receipts	7,765,431	2,910,750	2,439,178	585,306	6,190,898	19,891,563
Other receipts	-	-	74,781	-	-	74,781
Interfund loan proceeds	-	-	-	-	350,000	350,000
Interfund loan payments received	-	-	350,000	-	-	350,000
Transfers in	54,984	-	-	-	250,402	305,386
Total receipts	7,820,415	2,910,750	2,863,959	585,306	6,791,300	20,971,730
Operating disbursements:						
General government	3,782,405	-	-	60,145	577,944	4,420,494
Public safety	2,423,437	-	-	120,525	2,144,873	4,688,835
Highways and streets	-	3,303,365	-	-	1,332,763	4,636,128
Sanitation	188,175	-	-	-	199,652	387,827
Health and welfare	563,371	-	-	-	2,039,033	2,602,404
Economic development	-	-	1,204,943	-	-	1,204,943
Culture and recreation	271,000	-	-	-	114,597	385,597
Total operating disbursements	7,228,388	3,303,365	1,204,943	180,670	6,408,862	18,326,228
Interfund loan payments	-	-	-	-	350,000	350,000
Interfund loans made	-	-	350,000	-	-	350,000
Transfers out	-	-	190,110	-	115,276	305,386
Total disbursements	7,228,388	3,303,365	1,745,053	180,670	6,874,138	19,331,614
Excess (deficiency) of total receipts over (under) total disbursements	592,027	(392,615)	1,118,906	404,636	(82,838)	1,640,116
Cash and investments - December 31	\$ 3,718,680	\$ 576,043	\$ 5,542,237	\$ 3,249,095	\$ 6,656,012	19,742,067

Amounts reported for governmental activities in the statement of net assets are different because:

Internal services funds are used by management to charge the costs of certain services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of cash activities.

222,955

Net assets of governmental activities

\$ 19,965,022

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

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

	<u>Internal Service</u>
Cash and investments - January 1	\$ <u>219,336</u>
Operating receipts:	
Other	<u>1,464,426</u>
Operating disbursements:	
General government	<u>1,460,807</u>
Excess of total receipts over total disbursements	<u>3,619</u>
Cash and investments - December 31	<u>\$ <u>222,955</u></u>

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

DUBOIS 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	\$ 1,327,086	\$ 17,402	\$ 1,317,209
Additions:			
Contributions:			
Employer	90,415	-	-
Plan members	<u>18,989</u>	<u>-</u>	<u>-</u>
Total contributions	<u>109,404</u>	<u>-</u>	<u>-</u>
Investment earnings:			
Net increase in fair value of investments	113,571	-	-
Interest	39,368	-	-
Dividends	<u>26,964</u>	<u>-</u>	<u>-</u>
Net investment earnings	<u>179,903</u>	<u>-</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>129,525,631</u>
Total additions	<u>289,307</u>	<u>-</u>	<u>129,525,631</u>
Deductions:			
Benefits	23,266	-	-
Administrative expense	21,842	-	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>129,483,202</u>
Total deductions	<u>45,108</u>	<u>-</u>	<u>129,483,202</u>
Excess of total additions over total deductions	<u>244,199</u>	<u>-</u>	<u>42,429</u>
Cash and investments - December 31	<u>\$ 1,571,285</u>	<u>\$ 17,402</u>	<u>\$ 1,359,638</u>

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

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

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 receives distributions from the state as allocated by Indiana Code 8-14-1-3. The state motor vehicle account receives collections from motor vehicle registration fees, licenses, driver's and chauffeur's license fees, gasoline taxes, auto transfer fees, certificate of title fees, weight taxes or excise taxes and all other similar special taxes, duties or excises of all kinds on motor vehicles, trailers, motor vehicle fuel or motor vehicle owners or operators per Indiana Code 8-14-1-1. Funds are used for the construction, reconstruction, maintenance, or repair of the County highways. They may also be used for the purchase, rental, and repair of highway equipment, painting of bridges and acquisition of highway rights of way and the purchase of fuel oil, and supplies necessary to the performance of construction, reconstruction and maintenance of highways.

The county economic development income tax fund receives all collections from the CEDIT taxes levied and collected on behalf of the County and redistributed by the state to the County. The money received may be used to pay any allowable expenses of the County related to economic development.

The cumulative capital development fund receives collections from the taxes that the county levies on the assessed valuation of all taxable personal and real property within the county. The taxes collected may be used for the cost of repair or purchase of equipment, machinery, or buildings.

Additionally, the County reports the following fund types:

The internal service fund, employee benefit fund, is used to collect the portion of the County employees' payroll that is held out for insurance, as well as, the amount appropriated by the various county offices/departments for insurance. The monies collected are used to pay administrative fees and insurance claims.

The pension trust funds account for the activities of the county police retirement plan and the county police benefit plan, which accumulate resources for pension benefit payments.

The private-purpose trust fund reports a trust arrangement under which principal benefits the County's school corporations.

Agency funds account for assets held by the County as an agent for various other governmental units within the County and the State, 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.

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

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.

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.

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 60 days. Sheriff and Communications Department employees earn sick leave at the rate of 12 days per year and can accumulate up to 120 days. Accumulated sick leave is not paid to employees upon termination.

b. Vacation Leave

Employees earn vacation leave at rates from 5 days to 15 days per year based upon the number of years of service. Sheriff and Communications Department employees earn vacation leave at rates from 6 to 18 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

c. Personal Leave

Employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year. Unused personal leave may be converted to sick leave.

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.

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. The Sheriff's Merit Board has not established an investment policy for the Sheriff's Retirement and Benefit Pension Plan. As of December 31, 2005, the County had the following investments:

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Type	Sheriff's Retirement and Benefit Pension Plans
U.S. treasuries and securities	\$ 363,565
U.S. agencies	296,298
Mutual funds	494,319
Corporate bonds and notes	249,802
Corporate stock	219,124
Total	\$ 1,623,108

Investment Policies

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

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

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

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Sheriff's Pension Plan is not subject to the same investment laws as the County. The Sheriff's Merit Board has not adopted an investment policy for interest rate and credit risk.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the County held investments in U.S. Treasuries and Securities, U.S. Agencies, Mutual Funds, Corporate Bonds and Notes, and Corporate Stock in the amount of \$1,623,108. Of these investments \$1,623,108 were held by the counterparty's trust department or agent but not in the County's name.

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

Interest Rate Risk

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

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

Sheriff's Retirement and Benefit Pension Plans			
Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
U.S. treasuries and securities	\$ 177,728	\$ 64,460	\$ 121,377
U.S. agencies	74,977	41	221,281
Corporate bonds and notes	20,089	50,708	179,005
Totals	\$ 272,794	\$ 115,209	\$ 521,663

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.

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sheriff Pension Plan's Investments

Standard and Poor's Rating	Moody's Rating	County's Investments			
		Mutual Funds	Corporate Bonds and Notes	Government Sponsored Enterprise	Corporate Stock
AAA	Aaa	\$ -	\$ 23,701	\$ 296,179	\$ 52,866
AA	Aa	-	78,385	-	30,325
A	A	-	147,717	-	62,670
BBB	Baa	-	-	-	18,236
Unrated	Unrated	494,319	-	-	55,026
Totals		<u>\$ 494,319</u>	<u>\$ 249,803</u>	<u>\$ 296,179</u>	<u>\$ 219,123</u>

B. Capital Assets

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), are as follows:

	Capitalization Threshold
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment	5,000

Capital asset activity for the year ended December 31, 2005, follows:

Primary Government	Adjusted Beginning Balance *	Additions	Retirements	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Infrastructure	\$ 171,938,388	\$ 13,181,514	\$ 9,826,345	\$ 175,293,557
Buildings	6,382,372	-	-	6,382,372
Improvements other than buildings	387,200	-	51,000	336,200
Machinery and equipment	6,837,157	999,844	1,942,475	5,894,526
Total governmental activities, capital assets not being depreciated	<u>\$ 185,545,117</u>	<u>\$ 14,181,358</u>	<u>\$ 11,819,820</u>	<u>\$ 187,906,655</u>

*Due to the County retroactively reporting infrastructure, the beginning balance was adjusted to reflect the balance of infrastructure as of December 31, 2004.

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Leases

1. Operating Leases

The County has entered into various operating leases having initial or remaining noncancelable terms exceeding one year for tower rental, compactors, and a postage machine. Rental expenditures for these leases were \$1,404, \$10,080, and \$660, respectively. The following is a schedule by years of future minimum rental payments as of December 31, 2005:

2006	\$	13,008
2007		13,008
2008		13,008
2009		9,552
2010		<u>2,640</u>
 Total	 \$	 <u>51,216</u>

2. Capital Leases

The County has entered into a capital lease for a four sheriff's vehicles. 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	\$	23,517
2007		23,517
2008		<u>23,518</u>
 Total minimum lease payments		 70,552
 Less amount representing interest		 <u>6,147</u>
 Present value of net minimum lease payments	 \$	 <u>64,405</u>

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

		<u>Governmental Activities</u>
 Transportation equipment	 \$	 <u>86,566</u>

D. Long-Term Liabilities

1. Loans Payable

The County has entered into a loan with the State of Indiana for a \$1,000,000 ten year interest free loan. The County is required to reserve \$100,000 annually for a ten year period from 2004 through 2013 from the Economic Development Income Tax (EDIT) Fund for repayment of the loan. The County has established the Distressed Road (Loan 2) Fund to account for these repayment amounts. The County has set aside the required amounts.

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 108,354	\$ -	\$ 43,949	\$ 64,405	\$ 20,490
Loans payable	<u>1,245,750</u>	<u>-</u>	<u>245,750</u>	<u>1,000,000</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 1,354,104</u>	<u>\$ -</u>	<u>\$ 289,699</u>	<u>\$ 1,064,405</u>	<u>\$ 20,490</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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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.

Medical Benefits to Employees, Retirees, and Dependents

The County has chosen to establish a risk financing fund for risks associated with medical benefits to employees, retirees, and dependents. The risk financing fund is accounted for in the Employee Benefit Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$75,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A premium is charged to each fund that accounts for payroll. The total charge allocated to each of the funds is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims.

B. Loans Receivable

Ireland-Madison Township Conservancy District

On February 28, 2000, the County made a \$600,000 loan to Ireland-Madison Township Conservancy District to be used for the construction of sanitary sewers within the District. The loan was to be repaid over 30 years at 2% interest rate. The balance of the loan receivable as of December 31, 2005, was \$533,200.

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Patoka Lake Regional Water and Sewer District

On April 26, 2000, the County entered into an agreement with Patoka Lake Regional Water and Sewer District to loan \$1,200,000 to be used for a sewer project within the District. The loan was to be made in 3 annual installments of \$400,000 beginning after the District received the construction bids for the project. As of December 31, 2005, the County has paid all 3 of the installments of the loan to the District. The interest was to be paid over 30 years at a 2% interest rate beginning 12 months after the first disbursement from the County to the District. The principal balance was to be repaid at the end of the 30 year loan period.

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

DUBOIS 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.

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>County Police Retirement Plan</u>	<u>County Police Benefit Plan</u>
Annual required contribution	\$ 231,613	\$ 88,996	\$ 6,367
Interest on net pension obligation	(11,772)	(1,255)	-
Adjustment to annual required contribution	<u>13,415</u>	<u>2,101</u>	<u>-</u>
Annual pension cost	233,256	89,842	6,367
Contributions made	<u>259,910</u>	<u>84,048</u>	<u>6,367</u>
Increase (decrease) in net pension obligation	(26,654)	5,794	-
Net pension obligation, beginning of year	<u>(162,376)</u>	<u>(17,924)</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ (189,030)</u>	<u>\$ (12,130)</u>	<u>\$ -</u>
Contribution rates:			
County	5.25%	16%	1%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-05	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-01-97	12-31-97	12-31-97
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

Actuarial Assumptions

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

DUBOIS COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 229,435	94%	\$ (105,597)
	06-30-04	187,133	130%	(162,376)
	06-30-05	233,256	139%	(189,030)
County Police Retirement Plan	12-31-03	76,739	92%	(15,441)
	12-31-04	79,879	104%	(17,924)
	12-31-05	89,842	94%	(12,130)
County Police Benefit Plan	12-31-03	6,862	100%	-
	12-31-04	7,488	100%	-
	12-31-05	6,367	100%	-

DUBOIS 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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 3,990,556	\$ 4,056,621	\$ (66,065)	98%	\$ 3,941,254	(2%)
07-01-04	4,080,404	4,271,625	(191,221)	96%	4,633,393	(4%)
07-01-05	4,285,828	5,105,277	(819,449)	84%	4,938,065	(17%)

County Police Retirement 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)
01-01-01	\$ 1,058,422	\$ 1,098,959	\$ (40,537)	96%	\$ 524,967	(8%)
01-01-02	1,136,484	1,147,003	(10,519)	99%	548,583	(2%)
01-01-03	1,218,288	1,226,618	(8,330)	99%	564,134	(1%)
01-01-04	1,307,537	1,318,745	(11,208)	99%	605,270	(2%)
01-01-05	1,393,645	1,397,578	(3,933)	100%	623,525	(1%)
01-01-06	1,562,809	1,562,809	-	100%	637,170	0%

DUBOIS COUNTY
OTHER REPORTS

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

Circuit Court
County Community Corrections

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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 DUBOIS COUNTY, INDIANA

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

STATE BOARD OF ACCOUNTS

May 17, 2006

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	FY 2005 FY 2006	\$ 82,408 <u>24,111</u>
Total for federal grantor agency			<u>106,519</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
Public Safety Partnership and Community Policing Grants	16.710	2003UMWX0232	<u>25,000</u>
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	16.575	04VA040 04VA041 05VA027 05VA028	43,793 16,956 16,363 <u>29,391</u>
Total for program			<u>106,503</u>
Bulletproof Vest Partnership Program	16.607		<u>2,217</u>
Total for federal grantor agency			<u>133,720</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety	20.600	OP-05-02-03-39 OP-06-02-03-37 Gas Award OPO	2,156 2,021 <u>600</u>
Total for federal grantor agency			<u>4,777</u>
<u>U.S. DEPARTMENT OF GENERAL SERVICES ADMINISTRATION</u>			
Pass-Through Indiana Secretary of State Election Reform Payments	39.011	Section 102 Title III	12,025 <u>216,264</u>
Total for federal grantor agency			<u>228,289</u>
<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	93.283	FY 2005 FY 2006 BPRS04-A-19	27,569 16,735 <u>4,569</u>
Total for program			<u>48,873</u>
Pass-Through Indiana Family and Social Services Administration Child Support Enforcement County Prosecutor's Expense County Clerk's Expense Indirect Costs IV-D Incentive - Prosecutor IV-D Incentive - Clerk General Incentive	93.563		43,086 15,770 13,762 725 2,608 <u>22,549</u>
Total for program			<u>98,500</u>
Total for federal grantor agency			<u>147,373</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Homeland Security Grant Program	97.004	2003-TE-TX-0198 ODP 04 SHSP ODP 04 LETPP	42 18,877 <u>1,060</u>
Total for program			<u>19,979</u>
Public Assistance Grants	97.036	3197-EM-IN	<u>33,938</u>
Community Emergency Response Teams	97.054	FY 03 PT 2	<u>4,991</u>
Total for federal grantor agency			<u>58,908</u>
Total federal awards expended			<u>\$ 679,586</u>

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

DUBOIS COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

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

Note 2. Subrecipients

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

Program Title	Federal CFDA Number	2005
Crime Victim Assistance	16.575	\$ 73,184

DUBOIS 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?	none reported

Noncompliance material to financial statements noted?	no
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Federal Awards:

Internal control over major programs:

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

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

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

CFDA Number	Name of Federal Program or Cluster
39.011	Election Reform Payments

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

Auditee qualified as low-risk auditee?	yes
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Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

DUBOIS COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

DUBOIS COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 17, 2006, with Martha A. Wehr, Auditor; Randall L. Fleck, Commissioner; and Gregory A. Kendall, President of the County Council. Our audit disclosed no material items that warrant comment at this time.