

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

ANNUAL FINANCIAL REPORT

2005

WABASH COUNTY, INDIANA



**FILED**  
08/10/2006



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials.....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
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.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Cash and Investments .....	6
Statement of Cash Activities .....	7
Fund Financial Statements:	
Governmental Funds:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Governmental Funds.....	8
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investments – Fiduciary Funds.....	9
Notes to Financial Statements .....	10-21
Required Supplementary Information:	
Schedules of Funding Progress.....	22
Other Report.....	23
Supplemental Audit of Federal Awards:	
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 .....	26-27
Schedule of Expenditures of Federal Awards.....	28
Notes to Schedule of Expenditures of Federal Awards .....	29
Schedule of Findings and Questioned Costs.....	30
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings.....	31
Exit Conference.....	32

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Jane E. Ridgeway	01-01-05 to 12-31-08
Treasurer	Luann Layman	01-01-05 to 12-31-08
Clerk	Lori Draper	01-01-04 to 12-31-07
Sheriff	Leroy W. Striker	01-01-03 to 12-31-06
Recorder	Nancy Gribben	01-01-03 to 12-31-06
President of the Board of County Commissioners	Lester D. Templin Brian K. Hauptert	01-01-05 to 12-31-05 01-01-06 to 12-31-06
President of the County Council	Paul Sites Robert Fuller	01-01-05 to 12-31-05 01-01-06 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF WABASH COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wabash 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 July 20, 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

July 20, 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 WABASH COUNTY, INDIANA

We have audited the financial statements of Wabash County (County), as of and for the year ended December 31, 2005, and have issued our report thereon dated July 20, 2006. The opinion to the financial statements was qualified due to the omission of component units of the County. 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. 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

July 20, 2006

WABASH COUNTY  
 STATEMENT OF CASH AND INVESTMENTS  
 December 31, 2005

<u>Assets</u>	<u>Primary Governmental Activities</u>
Cash and investments	\$ 5,158,552
Restricted assets:	
Cash and investments	<u>7,420,513</u>
 Total assets	 <u>\$ 12,579,065</u>
 <u>Net Assets</u>	
Restricted for:	
Highways and streets	\$ 6,200,056
Health and welfare	1,220,457
Unrestricted	<u>5,158,552</u>
 Total net assets	 <u>\$ 12,579,065</u>

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

WABASH 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 Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,881,149	\$ 333,493	\$ 221,596	\$ 48,760	\$ (3,277,300)
Public safety	4,219,087	1,156,465	80,265	117,081	(2,865,276)
Highways and streets	4,049,340	-	2,169,370	758,109	(1,121,861)
Health and welfare	3,202,955	278,710	971,370	-	(1,952,875)
Economic development	679,271	-	-	631,902	(47,369)
<b>Total governmental activities</b>	<b>\$ 16,031,802</b>	<b>\$ 1,768,668</b>	<b>\$ 3,442,601</b>	<b>\$ 1,555,852</b>	<b>(9,264,681)</b>
General receipts:					
Property taxes					5,676,154
Other local sources					2,088,448
Grants and contributions not restricted to specific programs					339,857
Unrestricted investment earnings					655,527
<b>Total general receipts</b>					<b>8,759,986</b>
<b>Change in net assets</b>					<b>(504,695)</b>
<b>Net assets - beginning</b>					<b>13,083,760</b>
<b>Net assets - ending</b>					<b>\$ 12,579,065</b>

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

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

	General	County Highway	Local Road and Street	Family and Children	Cumulative Bridge	Other Governmental Funds	Totals
Cash and investments - January 1	\$ 1,614,359	\$ 1,088,359	\$ 3,726,360	\$ 1,116,946	\$ 2,031,285	\$ 3,506,451	\$ 13,083,760
Operating receipts:							
Taxes	3,145,764	-	-	1,403,731	350,784	775,875	5,676,154
Special assessments	-	-	-	-	-	66,831	66,831
Licenses and permits	-	-	-	-	-	2,560	2,560
Intergovernmental	2,387,864	2,146,365	651,919	675,733	103,690	1,339,879	7,305,450
Charges for services	325,818	-	-	-	-	1,218,992	1,544,810
Other	559,016	55,345	95,289	188,567	-	33,085	931,302
Total operating receipts	6,418,462	2,201,710	747,208	2,268,031	454,474	3,437,222	15,527,107
Interfund loan proceeds	500,000	-	-	-	-	-	500,000
Interfund loan payments received	-	-	500,000	-	-	-	500,000
Transfers in	128,673	-	-	-	-	51,871	180,544
Total receipts	7,047,135	2,201,710	1,247,208	2,268,031	454,474	3,489,093	16,707,651
Operating disbursements:							
General government	3,275,390	-	-	-	-	530,884	3,806,274
Public safety	2,972,038	-	-	-	-	1,247,049	4,219,087
Highways and streets	-	2,257,306	1,269,725	-	522,309	-	4,049,340
Health and welfare	279,272	-	-	2,378,731	-	544,952	3,202,955
Economic development	-	-	-	-	-	679,271	679,271
Capital outlay	-	-	-	-	-	74,875	74,875
Total operating disbursements	6,526,700	2,257,306	1,269,725	2,378,731	522,309	3,077,031	16,031,802
Interfund loan payments	500,000	-	-	-	-	-	500,000
Interfund loans made	-	-	500,000	-	-	-	500,000
Transfers out	-	-	-	-	-	180,544	180,544
Total disbursements	7,026,700	2,257,306	1,769,725	2,378,731	522,309	3,257,575	17,212,346
Excess (deficiency) of total receipts over (under) total disbursements	20,435	(55,596)	(522,517)	(110,700)	(67,835)	231,518	(504,695)
Cash and investments - December 31	\$ 1,634,794	\$ 1,032,763	\$ 3,203,843	\$ 1,006,246	\$ 1,963,450	\$ 3,737,969	\$ 12,579,065

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

WABASH 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	\$ 1,120,897	\$ 32,335	\$ 2,915,361
Additions:			
Investment earnings:			
Interest	19,935	-	-
Dividends	<u>19,486</u>	<u>-</u>	<u>-</u>
Net investment earnings	<u>39,421</u>	<u>-</u>	<u>-</u>
Agency fund additions	<u>-</u>	<u>-</u>	<u>89,225,749</u>
Total additions	<u>39,421</u>	<u>-</u>	<u>89,225,749</u>
Deductions:			
Benefits	53,798	-	-
Administrative expense	4,347	-	-
Other	8,431	-	-
Agency fund deductions	<u>-</u>	<u>-</u>	<u>85,574,484</u>
Total deductions	<u>66,576</u>	<u>-</u>	<u>85,574,484</u>
Excess (deficiency) of total additions over (under) total deductions	<u>(27,155)</u>	<u>-</u>	<u>3,651,265</u>
Cash and investments - December 31	<u>\$ 1,093,742</u>	<u>\$ 32,335</u>	<u>\$ 6,566,626</u>

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

WABASH 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.

WABASH 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 state motor vehicle highway distributions. The fund is used principally for the construction and maintenance of roads, streets and alleys.

The local road and street fund accounts for state gasoline tax. The fund is used principally for the construction and maintenance of roads, streets and alleys.

The family and children fund is used principally for assisting families and children.

The cumulative bridge fund is used to provide funds for the cost of reconstruction, maintenance, and repair of bridges, approaches and grade separations.

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 fund reports a trust arrangement under which principal and income benefit the schools.

Agency funds account for assets held by the County as an agent for several patrons 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.

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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 six days per year. Unused sick leave may be accumulated to a maximum of sixty-six days. One-half of the accumulated sick leave is paid to employees through cash payments upon termination.

b. Vacation Leave

Employees earn vacation leave at rates from five days to fifteen days per year based upon the number of years of service. Vacation leave may be accumulated to a maximum of thirty days for employees. Accumulated vacation leave is paid to employees through cash payments upon termination.

c. Personal Leave

Employees earn personal leave at the rate of two 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

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 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 County's 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 0-5	5-10	
Mutual funds	\$ 46,150	\$ 46,150	\$ -	\$ 46,150
Corporate stock	580,318	580,318	-	580,318
Government sponsored enterprises	204,057	204,057	-	204,057
Corporate bonds	261,909	171,201	90,708	261,909
Totals	<u>\$ 1,092,434</u>	<u>\$ 1,001,726</u>	<u>\$ 90,708</u>	<u>\$ 1,092,434</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 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.

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

The Sheriff's Pension Plan is not subject to the same investment laws as the county. The 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. The Sheriff's Pension Plan does not have a formal investment policy for custodial credit risk. At December 31, 2005, the Sheriff's Pension Plan held investments in Mutual Funds, Corporate Stock, Corporate Bonds, and U.S. Government Sponsored Agencies in the amount of \$1,092,434. All of these investments are held by the investments counterparty, not in the name of the Sheriff's Pension Plan.

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 Plan does 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.

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Standard and Poor's Rating	Moody's Rating	Mutual Funds	Corporate Bonds	Government Sponsored Enterprises	Totals
AAA	AAA	\$ -	\$ 24,229	\$ 204,057	\$ 228,286
AA	AA	-	39,904	-	39,904
Unrated	Unrated	46,150	197,776	-	243,926
Totals		<u>\$ 46,150</u>	<u>\$ 261,909</u>	<u>\$ 204,057</u>	<u>\$ 512,116</u>

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. More than five percent of the Pension's investments are in Federal Home Loan Bank (\$176,916, 16%), General Electric (\$90,708, 8%), and Merrill Lynch (\$59,984, 5%).

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), is \$10,000 for each type of asset.

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

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 178,540	\$ -	\$ 8,999	\$ 169,541
Infrastructure	54,748,467	613,700	2,134,101	53,228,066
Buildings	6,014,261	-	-	6,014,261
Machinery and equipment	3,500,238	645,680	220,530	3,925,388
Total governmental activities, capital assets not being depreciated	<u>\$ 64,441,506</u>	<u>\$ 1,259,380</u>	<u>\$ 2,363,630</u>	<u>\$ 63,337,256</u>

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Capital Leases

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

2006	\$	60,044
2007		<u>12,072</u>
Total minimum lease payments		72,116
Less amount representing interest		<u>2,737</u>
Present value of net minimum lease payments		<u>\$ 69,379</u>

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

		<u>Governmental Activities</u>
Machinery and equipment	\$	<u>153,567</u>

D. Long-Term Liabilities

1. General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds currently outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Judicial center bonds	5.3% to 5.6%	<u>\$ 1,785,000</u>

Annual debt service requirements to maturity for general obligation bonds, for the years ended December 31, are as follows:

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Year Ended December 31	Governmental Activities	
	Principal	Interest
2006	\$ 125,000	\$ 48,724
2007	265,000	87,345
2008	275,000	73,000
2009	295,000	57,844
2010	315,000	41,455
Thereafter	<u>510,000</u>	<u>28,714</u>
Totals	<u>\$ 1,785,000</u>	<u>\$ 337,082</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:					
Bonds payable:					
General obligation	\$ 2,025,000	\$ -	\$ 240,000	\$ 1,785,000	\$ 125,000
Capital leases	59,970	65,626	56,217	69,379	57,578
Loan payable	<u>44,766</u>	<u>-</u>	<u>44,766</u>	<u>-</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 2,129,736</u>	<u>\$ 65,626</u>	<u>\$ 340,983</u>	<u>\$ 1,854,379</u>	<u>\$ 182,578</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

The County has chosen to establish risk financing for risks associated with medical benefits to employees, retirees, and dependents. The risk financing is accounted for in each fund that accounts for payroll where assets are set aside for claim settlements. An excess policy through commercial

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

insurance covers individual claims in excess of \$20,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Amounts are paid by all funds with payrolls and are available to pay claims, claim reserves, and administrative costs of the program. Premiums are based upon an overall premium percentage which is applied to each fund's gross wages.

B. 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.

C. 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

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.

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plans

	PERF	County Police Retirement Plan	County Police Benefit Plan
Annual required contribution	\$ 162,982	\$ 62,349	\$ 30,389
Interest on net pension obligation	(16,432)	-	-
Adjustment to annual required contribution	<u>18,726</u>	<u>-</u>	<u>-</u>
Annual pension cost	165,276	62,349	30,389
Contributions made	<u>179,777</u>	<u>62,349</u>	<u>30,389</u>
Decrease in net pension obligation	(14,501)	-	-
Net pension obligation, beginning of year	<u>(226,651)</u>	<u>(13)</u>	<u>-</u>
Net pension obligation, end of year	<u>\$ (241,152)</u>	<u>\$ (13)</u>	<u>\$ -</u>
Contribution rates:			
County	6%	14%	7%
Plan members	3%	None	None
Actuarial valuation date	07-01-05	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Aggregate
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	*
Amortization period	33 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

\*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 earning of the group.

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%

WABASH COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 166,363	114%	\$ (190,275)
	06-30-04	150,729	124%	(226,651)
	06-30-05	165,276	119%	(241,152)
County Police Retirement Plan	12-31-03	49,891	100%	(13)
	12-31-04	69,170	100%	(13)
	12-31-05	62,349	100%	(13)
County Police Benefit Plan	12-31-03	24,249	100%	-
	12-31-04	24,961	100%	-
	12-31-05	30,389	100%	-

WABASH 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	\$ 2,747,295	\$ 2,978,872	\$ (231,577)	92%	\$ 2,834,990	(8%)
07-01-04	2,825,970	3,144,171	(318,201)	90%	2,884,117	(11%)
07-01-05	2,968,058	3,243,742	(275,684)	92%	2,789,802	(10%)

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	\$ 1,058,383	\$ 1,058,383	\$ -	100%	\$ 355,114	0%
01-01-02	1,057,390	1,057,390	-	100%	384,631	0%
01-01-03	1,027,471	1,027,471	-	100%	385,162	0%
01-01-04	1,023,016	1,023,016	-	100%	423,805	0%
01-01-05	1,117,323	1,117,323	-	100%	431,417	0%
01-01-06	1,197,507	1,197,507	-	100%	447,267	0%

WABASH COUNTY  
OTHER REPORT

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

County Auditor

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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](http://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 WABASH COUNTY, INDIANA

### Compliance

We have audited the compliance of Wabash 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.

### 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

July 20, 2006

WABASH 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 JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Juvenile Accountability Incentive Block Grants	16.523	02-JB-068	\$ 8,657
Crime Victim Assistance	16.575		20,086
Total for federal grantor agency			28,743
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601		3,050
Pass-Through Indiana Department of Transportation Formula Grants for Other Than Urbanized Areas	20.509		110,712
Total for federal grantor agency			113,762
<u>GENERAL SERVICES ADMINISTRATION</u>			
Pass-Through Indiana Secretary of State Election Reform Payments	39.011		127,403
<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		
		BPRS-184-2	9,578
		BPRS-184-1	3,413
		BPRS04-A-2	3,413
Total for program			16,404
Pass-Through Indiana Family and Social Services Administration Child Support Enforcement	93.563		
County Prosecutor's Expenditures			71,859
Collection Incentives			60,965
Indirect Costs			15,494
County Clerk's Expenditures			12,979
County Court's Expenditures			1,028
Total for program			162,325
Total for federal grantor agency			178,729
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security State Domestic Preparedness Equipment Support Program	97.004		147,816
Emergency Management Performance Grants	97.042		2,323
Total for federal grantor agency			150,139
Total federal awards expended			\$ 598,776

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

WABASH 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 Wabash 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
Formula Grants for Other Than Urbanized Areas	20.509	<u>\$ 110,712</u>

WABASH 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

Federal Awards:

Internal control over major programs:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

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

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

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

**WABASH COUNTY AUDITOR**

**Jane Harper Ridgeway**

One West Hill Street

Wabash, IN 46992

Phone: (260) 563-0661 Ext. 222 Fax : (260) 563-3451 E-mail: auditor@wabashcounty.IN.gov

July 20, 2006

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

**SUMMARY OF PRIOR AUDIT FINDINGS:**

**FINDING NO. 2004-1 PROCUREMENT AND SUSPENSION AND DEBARMENT**

Corrective action has been taken to ensure that Wabash County is in compliance with the applicable laws of the State of Indiana.

Respectfully,

Signed: *Brian K. Hight*  
Title: Chairman Board of Commissioners  
Date: 07-20-06

Signed *Jane P. Ridgeway*  
Title: WABASH CO. AUDITOR  
Date: 7-20-06

WABASH COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on July 20, 2006, with Jane E. Ridgeway, Auditor; and Brian K. Haupert, President of the Board of County Commissioners.