

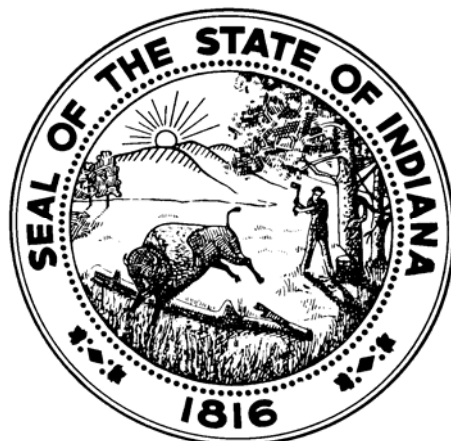
STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

CITY OF WABASH

WABASH COUNTY, INDIANA



FILED
05/10/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Meredith Brown	01-01-04 to 12-31-07
Mayor	Robert E. Vanlandingham	01-01-04 to 12-31-07
President of the Board of Public Works	Robert E. Vanlandingham	01-01-04 to 12-31-07
President of the Common Council	Harold V. Chatlosh Scott A. Long	01-01-06 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Wastewater Utility	Robert Gray Ricky Price (Interim) John Wonderly	01-01-06 to 12-31-06 01-01-07 to 02-28-07 03-01-07 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wabash (City), as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 City prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment 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 of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2006, and the respective cash receipts and cash disbursements during the year then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 25, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the City 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

The Schedules of Funding Progress and Schedule of Contributions From the Employer and Other Contributing Entities as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The City has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 25, 2007



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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 THE CITY OF WABASH, WABASH COUNTY, INDIANA

We have audited the financial statements of the City of Wabash (City), as of and for the year ended December 31, 2006, and have issued our report thereon dated April 25, 2007. 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 City'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 City'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.

We noted other matters involving the internal control over financial reporting that we have discussed with the management of the City on April 25, 2007. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

This report is intended solely for the information and use of the City'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

April 25, 2007

CITY OF WABASH
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,419,062	\$ 176,190	\$ 43,370	\$ 444,990	\$ (1,754,512)	\$ -	\$ (1,754,512)
Public safety	4,226,851	773,501	12,000	112,500	(3,328,850)	-	(3,328,850)
Highways and streets	1,478,699	319,782	471,817	154,916	(532,184)	-	(532,184)
Sanitation	322,678	-	-	-	(322,678)	-	(322,678)
Culture and recreation	556,712	43,117	33,388	-	(480,207)	-	(480,207)
Economic development	728,585	18,125	-	791,450	80,990	-	80,990
Interest on long-term debt	95,718	-	-	-	(95,718)	-	(95,718)
Total governmental activities	<u>9,828,305</u>	<u>1,330,715</u>	<u>560,575</u>	<u>1,503,856</u>	<u>(6,433,159)</u>	<u>-</u>	<u>(6,433,159)</u>
Business-type activities:							
Wastewater	<u>1,961,357</u>	<u>2,015,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,702</u>	<u>53,702</u>
Total primary government	<u>\$ 11,789,662</u>	<u>\$ 3,345,774</u>	<u>\$ 560,575</u>	<u>\$ 1,503,856</u>	<u>(6,433,159)</u>	<u>53,702</u>	<u>(6,379,457)</u>
General receipts:							
Property taxes					5,362,627	-	5,362,627
Other local sources					2,047,257	-	2,047,257
Grants and contributions not restricted to specific programs					43,092	-	43,092
Unrestricted investment earnings					540,063	38,128	578,191
Special items:							
State distribution received in error					106,323	-	106,323
Other					23,458	-	23,458
Refund of self-insurance premiums					1,000,000	-	1,000,000
Total general receipts and special items					<u>9,122,820</u>	<u>38,128</u>	<u>9,160,948</u>
Change in net assets					2,689,661	91,830	2,781,491
Net assets - beginning					<u>10,014,996</u>	<u>1,071,077</u>	<u>11,086,073</u>
Net assets - ending					<u>\$ 12,704,657</u>	<u>\$ 1,162,907</u>	<u>\$ 13,867,564</u>
<u>Assets</u>							
Cash and investments					\$ 9,416,269	\$ 455,261	\$ 9,871,530
Restricted assets:							
Cash and investments					<u>3,288,388</u>	<u>707,646</u>	<u>3,996,034</u>
Total assets					<u>\$ 12,704,657</u>	<u>\$ 1,162,907</u>	<u>\$ 13,867,564</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 1,187,065	\$ -	\$ 1,187,065
Culture and recreation					435,155	-	435,155
Debt service					323,574	707,646	1,031,220
Other purposes					1,342,594	-	1,342,594
Unrestricted					<u>9,416,269</u>	<u>455,261</u>	<u>9,871,530</u>
Total net assets					<u>\$ 12,704,657</u>	<u>\$ 1,162,907</u>	<u>\$ 13,867,564</u>

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

CITY OF WABASH
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Other Governmental Funds	Totals
Receipts:			
Taxes	\$ 4,232,042	\$ 1,130,585	\$ 5,362,627
Licenses and permits	15,283	2,335	17,618
Intergovernmental	2,090,349	1,968,362	4,058,711
Charges for services	157,171	1,047,670	1,204,841
Fines and forfeits	19,401	-	19,401
Other	<u>697,176</u>	<u>157,592</u>	<u>854,768</u>
Total receipts	<u>7,211,422</u>	<u>4,306,544</u>	<u>11,517,966</u>
Disbursements:			
General government	2,015,105	403,957	2,419,062
Public safety	3,512,899	713,952	4,226,851
Highways and streets	124,487	1,354,212	1,478,699
Sanitation	322,678	-	322,678
Culture and recreation	-	556,712	556,712
Economic Development	750	577,835	578,585
Debt service:			
Principal	-	150,000	150,000
Interest	<u>-</u>	<u>95,718</u>	<u>95,718</u>
Total disbursements	<u>5,975,919</u>	<u>3,852,386</u>	<u>9,828,305</u>
Excess of receipts over disbursements	<u>1,235,503</u>	<u>454,158</u>	<u>1,689,661</u>
Other financing sources (uses)			
Transfers in	-	144,878	144,878
Transfers out	<u>(41,781)</u>	<u>(103,097)</u>	<u>(144,878)</u>
Total other financing sources (uses)	<u>(41,781)</u>	<u>41,781</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	1,193,722	495,939	1,689,661
Cash and investment fund balance - beginning	<u>5,887,387</u>	<u>4,127,609</u>	<u>10,014,996</u>
Cash and investment fund balance - ending	<u>\$ 7,081,109</u>	<u>\$ 4,623,548</u>	11,704,657
Amounts reported for governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis are different because:			
Internal services funds are used by management to charge the costs of certain services to individual funds. The assets of the internal service fund are included in governmental activities in the Statement of Activities and Net Assets - Cash and Investment Basis.			<u>1,000,000</u>
Net assets of governmental activities			<u>\$ 12,704,657</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 7,081,109	\$ 2,335,160	\$ 9,416,269
Restricted assets:			
Cash and investments	<u>-</u>	<u>2,288,388</u>	<u>2,288,388</u>
Total cash and investment assets - December 31	<u>\$ 7,081,109</u>	<u>\$ 4,623,548</u>	<u>\$ 11,704,657</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Highways and streets	\$ -	\$ 1,187,065	\$ 1,187,065
Culture and recreation	-	435,155	435,155
Debt service	-	323,574	323,574
Other purposes	-	342,594	342,594
Unrestricted	<u>7,081,109</u>	<u>2,335,160</u>	<u>9,416,269</u>
Total cash and investment fund balance - December 31	<u>\$ 7,081,109</u>	<u>\$ 4,623,548</u>	<u>\$ 11,704,657</u>

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

CITY OF WABASH
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

	Wastewater Utility	Internal Service Funds
Operating receipts:		
Measured revenue:		
Residential	\$ 1,179,199	\$ -
Commercial	638,222	-
Penalties	36,558	-
Other	161,080	-
Total operating receipts	2,015,059	-
Operating disbursements:		
Equipment and capital improvements	140,000	-
Collection system - operations and maintenance	146,048	-
Treatment and disposal disbursements - operations and maintenance	687,703	-
Customer accounts	56,368	-
Administration and general	241,697	-
Total operating disbursements	1,271,816	-
Excess of operating receipts over operating disbursements	743,243	-
Nonoperating receipts (disbursements):		
Refund of self-insurance premiums	-	1,000,000
Interest receipts	38,128	-
Debt service of principal	(475,000)	-
Interest disbursements	(214,541)	-
Total nonoperating receipts (disbursements)	(651,413)	1,000,000
Excess of receipts over disbursements	91,830	1,000,000
Cash and investment fund balance - beginning	1,071,077	-
Cash and investment fund balance - ending	\$ 1,162,907	\$ 1,000,000
<u>Cash and Investment Assets - December 31</u>		
Cash and investments	\$ 455,261	\$ -
Restricted assets:		
Cash and investments	707,646	1,000,000
Total cash and investment assets - December 31	\$ 1,162,907	\$ 1,000,000
<u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
Debt service	\$ 707,646	\$ -
Other purposes	-	1,000,000
Unrestricted	455,261	-
Total cash and investment fund balance - December 31	\$ 1,162,907	\$ 1,000,000

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

CITY OF WABASH
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2006

	Pension Trust Funds	Private-Purpose Trust Funds	Agency Funds
Additions:			
Contributions:			
Employer	\$ 1,236,450	\$ -	\$ -
Plan members	2,392	-	-
Other	-	330	-
	1,238,842	330	-
Total contributions			
Agency fund additions	-	-	5,255,793
	1,238,842	330	5,255,793
Total additions			
Deductions:			
Benefits	1,183,220	-	-
Administrative and general	5,009	-	-
Other	8,407	4,452	-
Agency fund deductions	-	-	5,269,396
	1,196,636	4,452	5,269,396
Total deductions			
Excess (deficiency) of total additions over total deductions	42,206	(4,122)	(13,603)
Cash and investment fund balance - beginning	2,176,898	19,629	82,724
Cash and investment fund balance - ending	\$ 2,219,104	\$ 15,507	\$ 69,121

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, wastewater, and urban redevelopment and housing.

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

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. 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.

The City reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

Additionally, the City reports the following fund types:

The internal service fund accounts for an excess amount of self-insurance funds which were requested to be returned from the administrator until future claims obligate the use of the funds.

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS
(Continued)

The private-purpose trust funds account for donations held by the City for uses restricted by the donor.

Agency funds account for assets held by the City as an agent for other governmental entities and serve as control of accounts for certain cash transactions during the time they are a liability to the City.

C. Measurement Focus and Basis of Accounting

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 and investment 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 of America. Receipts are recorded when received and disbursements are recorded when paid.

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

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

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.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities and Net Assets – Cash and Investment Basis.

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 of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the City 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 City receives approval of the Indiana Department of Local Government Finance.

The City's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the 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.

Investment Policies

Indiana Code 5-13-9 authorizes the City 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 City 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 City 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.

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 City does not have a formal 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 City must follow state statute and limit the stated final maturities of the investments to no more than two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

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 City 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.

Foreign Currency Risk

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

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

Transfer From	Transfer To	2006
General Fund	Other governmental	\$ 41,781
Other governmental	Other governmental	103,097
Total		\$ 144,878

The City typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

A. Risk Management

The City 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.

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Medical benefits to employees

The City has chosen to establish a risk financing fund for excess funds accumulated for risks associated with medical benefits to employees, retirees, and dependents (excluding postemployment benefits). The risk financing fund is accounted for in the Self-Insurance Fund, an internal service fund, where accumulated assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$50,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Premiums are paid to a private entity, who maintains claim reserves, and pays administrative costs of the program. Premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as external transactions.

B. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the City Council on June 14, 2004.

C. Pension Plans

1. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description

The City 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 City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of 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

CITY OF WABASH
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 City's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the City and the Utility is not available.

b. 1925 Police Officers' Pension Plan

Plan Description

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

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute. The City's annual pension cost and related information as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

c. 1937 Firefighters' Pension Plan

Plan Description

The City contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute. The City's annual pension cost and related information, as provided by the actuary, is presented in this note.

The use of the pay-as-you-go actuarial cost method by the City results in significant underfunding of the plan. Therefore, the Net Pension Obligation (NPO) is not reflected in the financial statements of the pension trust funds.

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plans

	<u>PERF</u>	<u>1925 Police Officers' Pension</u>	<u>1937 Firefighters' Pension</u>
Annual required contribution	\$ 47,064	\$ 1,052,700	\$ 1,371,700
Interest on net pension obligation	(5,015)	166,700	245,400
Adjustment to annual required contribution	<u>5,715</u>	<u>(291,200)</u>	<u>(428,800)</u>
Annual pension cost	47,764	928,200	1,188,300
Contributions made	<u>46,868</u>	<u>535,814</u>	<u>742,190</u>
Increase in net pension obligation	896	392,386	446,110
Net pension obligation, beginning of year	<u>(69,175)</u>	<u>2,469,366</u>	<u>3,635,934</u>
Net pension obligation, end of year	<u>\$ (68,279)</u>	<u>\$ 2,861,752</u>	<u>\$ 4,082,044</u>
Contribution rates:			
City	3.75%	909%	*
Plan members	3%	6%	*
Actuarial valuation date	07-01-05	01-01-05	01-01-05
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	30 years	30 years
Amortization period (from date)	07-01-97	01-01-05	01-01-05
Asset valuation method	75% of expected actuarial value plus 25% of market value	4 year phase in of unrealized and realized capital	4 year phase in of unrealized and realized capital

* No covered payroll

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF	1925 Police Officers' Pension	1937 Firefighters' Pension
Investment rate of return	7.25%	6%	6%
Projected future salary increases:			
Total	5%	4%	4%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	0%	0%
Cost-of-living adjustments	2%	2.75/4%*	2.75/4%*

* 2.75% converted members; 4% nonconverted members

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-03	\$ 40,584	119%	\$ (60,260)
	06-30-04	39,867	122%	(69,175)
	06-30-05	47,764	118%	(68,279)
1925 Police Officers' Pension Plan	12-31-02	819,900	124%	2,032,243
	12-31-03	912,300	52%	2,469,366
	12-31-04	928,200	58%	2,861,752
1937 Firefighters' Pension Plan	12-31-02	1,129,100	107%	3,014,152
	12-31-03	1,174,100	47%	3,635,934
	12-31-04	1,188,300	62%	4,082,044

Membership in the 1925 Police Officers' Pension Plan and the 1937 Firefighters' Pension Plan at January 1, 2006, were comprised of the following:

	1925 Police Officers' Pension	1937 Firefighters' Pension
Retirees and beneficiaries currently receiving benefits	26	38
Current active employees	2	-

2. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

CITY OF WABASH
NOTES TO FINANCIAL STATEMENTS
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

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

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

Funding Policy and Annual Pension Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the City is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the City are established by the Board of Trustees of PERF. The City's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$457,220, \$440,988, and \$432,560, respectively, equal to the required contributions for each year.

CITY OF WABASH
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,086,196	\$ 971,363	\$ 114,833	112%	\$ 1,113,751	10%
07-01-04	1,096,665	1,088,395	8,270	101%	1,108,458	1%
07-01-05	1,133,781	1,245,553	(111,772)	91%	1,233,764	(9%)

1925 Police Officers' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 454,911	\$ 8,500,800	\$ (8,045,889)	5%	\$ 99,900	(8,054%)
01-01-01	372,973	8,888,000	(8,515,027)	4%	102,900	(8,275%)
01-01-02	453,748	8,439,900	(7,986,152)	5%	106,000	(7,534%)
01-01-03	982,954	8,535,700	(7,552,746)	12%	109,200	(6,916%)
01-01-04	988,366	8,949,100	(7,960,734)	11%	112,500	(7,076%)
01-01-05	1,019,656	9,213,700	(8,194,044)	11%	115,800	(7,076%)

1937 Firefighters' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
01-01-00	\$ 353,864	\$ 11,922,000	\$ (11,568,136)	3%	\$ 33,300	(34,739%)
01-01-01	373,833	11,730,200	(11,356,367)	3%	34,300	(33,109%)
01-01-02	399,510	11,990,300	(11,590,790)	3%	*	*
01-01-03	969,217	11,493,700	(10,524,483)	8%	36,400	(28,913%)
01-01-04	908,658	12,008,100	(11,099,442)	8%	*	*
01-01-05	1,001,541	11,786,400	(10,784,859)	8%	*	*

* No covered payroll

CITY OF WABASH
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE
 EMPLOYER AND OTHER CONTRIBUTING ENTITIES

	Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	
			City	State
1925 Police Officers' Pension Plan	12-31-99	\$ 830,500	39%	24%
	12-31-00	856,800	23%	22%
	12-31-01	923,000	38%	22%
	12-31-02	910,200	73%	38%
	12-31-03	1,004,000	24%	23%
	12-31-04	1,052,700	27%	24%
1937 Firefighters' Pension Plan	12-31-99	\$ 1,136,000	28%	24%
	12-31-00	1,169,000	32%	22%
	12-31-01	1,188,300	33%	22%
	12-31-02	1,254,800	61%	36%
	12-31-03	1,310,000	20%	22%
	12-31-04	1,371,700	31%	23%

CITY OF WABASH
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Park and Recreation	Park and Recreation Nonreverting	Aviation	Aviation Revolving
Receipts:							
Taxes	\$ 545,366	\$ -	\$ -	\$ 501,141	\$ -	\$ 84,078	\$ -
Licenses and permits	-	-	2,335	-	-	-	-
Intergovernmental	486,067	53,077	-	33,388	-	7,731	-
Charges for services	5,125	-	3,236	37,477	-	-	-
Other	2,588	-	-	5,157	483	1,590	33,295
Total receipts	<u>1,039,146</u>	<u>53,077</u>	<u>5,571</u>	<u>577,163</u>	<u>483</u>	<u>93,399</u>	<u>33,295</u>
Disbursements:							
General government	-	-	-	-	-	110,366	31,573
Public safety	-	-	5,959	-	-	-	-
Highways and streets	971,713	57,629	-	-	-	-	-
Culture and recreation	-	-	-	555,480	1,232	-	-
Economic Development	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	<u>971,713</u>	<u>57,629</u>	<u>5,959</u>	<u>555,480</u>	<u>1,232</u>	<u>110,366</u>	<u>31,573</u>
Excess (deficiency) of receipts over disbursements	<u>67,433</u>	<u>(4,552)</u>	<u>(388)</u>	<u>21,683</u>	<u>(749)</u>	<u>(16,967)</u>	<u>1,722</u>
Other financing sources (uses)							
Transfers in	-	-	-	-	184	-	-
Transfers out	(8,606)	-	-	(30,361)	-	(1,762)	-
Total other financing sources (uses)	<u>(8,606)</u>	<u>-</u>	<u>-</u>	<u>(30,361)</u>	<u>184</u>	<u>(1,762)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>58,827</u>	<u>(4,552)</u>	<u>(388)</u>	<u>(8,678)</u>	<u>(565)</u>	<u>(18,729)</u>	<u>1,722</u>
Cash and investment fund balance - beginning	<u>1,084,601</u>	<u>48,189</u>	<u>15,056</u>	<u>392,490</u>	<u>565</u>	<u>204,038</u>	<u>36,515</u>
Cash and investment fund balance - ending	<u>\$ 1,143,428</u>	<u>\$ 43,637</u>	<u>\$ 14,668</u>	<u>\$ 383,812</u>	<u>\$ -</u>	<u>\$ 185,309</u>	<u>\$ 38,237</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ 14,668	\$ -	\$ -	\$ 185,309	\$ 38,237
Restricted assets:							
Cash and investments	<u>1,143,428</u>	<u>43,637</u>	<u>-</u>	<u>383,812</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 1,143,428</u>	<u>\$ 43,637</u>	<u>\$ 14,668</u>	<u>\$ 383,812</u>	<u>\$ -</u>	<u>\$ 185,309</u>	<u>\$ 38,237</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Highways and streets	\$ 1,143,428	\$ 43,637	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	383,812	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>14,668</u>	<u>-</u>	<u>-</u>	<u>185,309</u>	<u>38,237</u>
Total cash and investment fund balance - December 31	<u>\$ 1,143,428</u>	<u>\$ 43,637</u>	<u>\$ 14,668</u>	<u>\$ 383,812</u>	<u>\$ -</u>	<u>\$ 185,309</u>	<u>\$ 38,237</u>

CITY OF WABASH
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Ambulance	Criminal Justice Grant	Wabash City WASA Grant	Rainy Day	Redevelopment Commission	Civic Activities	Crime Control
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	12,000	-	-	-	-	-
Charges for services	689,763	-	-	-	-	-	-
Other	10,673	12,394	-	-	4,125	4,450	-
Total receipts	700,436	24,394	-	-	4,125	4,450	-
Disbursements:							
General government	-	-	-	-	-	4,334	-
Public safety	586,446	8,167	-	-	-	-	880
Highways and streets	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Economic Development	-	-	-	-	3,859	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total disbursements	586,446	8,167	-	-	3,859	4,334	880
Excess (deficiency) of receipts over disbursements	113,990	16,227	-	-	266	116	(880)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	113,990	16,227	-	-	266	116	(880)
Cash and investment fund balance - beginning	559,732	7,920	1,159	88,462	17,840	1,591	7,812
Cash and investment fund balance - ending	\$ 673,722	\$ 24,147	\$ 1,159	\$ 88,462	\$ 18,106	\$ 1,707	\$ 6,932
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 673,722	\$ 24,147	\$ 1,159	\$ 88,462	\$ 18,106	\$ 1,707	\$ 6,932
Restricted assets:							
Cash and investments	-	-	-	-	-	-	-
Total cash and investment assets - December 31	\$ 673,722	\$ 24,147	\$ 1,159	\$ 88,462	\$ 18,106	\$ 1,707	\$ 6,932
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	673,722	24,147	1,159	88,462	18,106	1,707	6,932
Total cash and investment fund balance - December 31	\$ 673,722	\$ 24,147	\$ 1,159	\$ 88,462	\$ 18,106	\$ 1,707	\$ 6,932

CITY OF WABASH
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Storm Water	FEMA Grant	Levy Excess	Street Bond	Street Debt Reserve	Cumulative Capital Improvement	Economic Development Income Tax
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	87,589	112,500	-	245,718	-	41,952	290,394
Charges for services	312,069	-	-	-	-	-	-
Other	-	-	8,407	-	-	-	14,000
Total receipts	399,658	112,500	8,407	245,718	-	41,952	304,394
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	112,500	-	-	-	-	-
Highways and streets	245,717	-	-	-	-	79,153	-
Culture and recreation	-	-	-	-	-	-	-
Economic Development	-	-	-	-	-	-	240,623
Debt service:							
Principal	-	-	-	150,000	-	-	-
Interest	-	-	-	95,718	-	-	-
Total disbursements	245,717	112,500	-	245,718	-	79,153	240,623
Excess (deficiency) of receipts over disbursements	153,941	-	8,407	-	-	(37,201)	63,771
Other financing sources (uses)							
Transfers in	-	-	57,326	-	-	-	49,500
Transfers out	-	-	-	-	-	-	(12,868)
Total other financing sources (uses)	-	-	57,326	-	-	-	36,632
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	153,941	-	65,733	-	-	(37,201)	100,403
Cash and investment fund balance - beginning	499,328	-	-	90,574	233,000	180,744	385,496
Cash and investment fund balance - ending	<u>\$ 653,269</u>	<u>\$ -</u>	<u>\$ 65,733</u>	<u>\$ 90,574</u>	<u>\$ 233,000</u>	<u>\$ 143,543</u>	<u>\$ 485,899</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 653,269	\$ -	\$ -	\$ -	\$ -	\$ 143,543	\$ 485,899
Restricted assets:							
Cash and investments	-	-	65,733	90,574	233,000	-	-
Total cash and investment assets - December 31	\$ 653,269	\$ -	\$ 65,733	\$ 90,574	\$ 233,000	\$ 143,543	\$ 485,899
Cash and Investment Fund Balance - December 31							
Restricted for:							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Culture and recreation	-	-	-	-	-	-	-
Debt service	-	-	-	90,574	233,000	-	-
Other purposes	-	-	65,733	-	-	-	-
Unrestricted	653,269	-	-	-	-	143,543	485,899
Total cash and investment fund balance - December 31	\$ 653,269	\$ -	\$ 65,733	\$ 90,574	\$ 233,000	\$ 143,543	\$ 485,899

CITY OF WABASH
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Park and Recreation Nonreverting Capital	Aviation Grant	Brownfield Grant	Streetscape	IDFA Loan	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,130,585
Licenses and permits	-	-	-	-	-	2,335
Intergovernmental	-	403,038	125,032	69,876	-	1,968,362
Charges for services	-	-	-	-	-	1,047,670
Other	-	-	-	60,430	-	157,592
Total receipts	-	403,038	125,032	130,306	-	4,306,544
Disbursements:						
General government	-	257,684	-	-	-	403,957
Public safety	-	-	-	-	-	713,952
Highways and streets	-	-	-	-	-	1,354,212
Culture and recreation	-	-	-	-	-	556,712
Economic Development	-	-	125,051	126,568	81,734	577,835
Debt service:						
Principal	-	-	-	-	-	150,000
Interest	-	-	-	-	-	95,718
Total disbursements	-	257,684	125,051	126,568	81,734	3,852,386
Excess (deficiency) of receipts over disbursements	-	145,354	(19)	3,738	(81,734)	454,158
Other financing sources (uses)						
Transfers in	25,000	12,868	-	-	-	144,878
Transfers out	-	-	-	-	(49,500)	(103,097)
Total other financing sources (uses)	25,000	12,868	-	-	(49,500)	41,781
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	25,000	158,222	(19)	3,738	(131,234)	495,939
Cash and investment fund balance - beginning	26,343	9,227	3,997	-	232,930	4,127,609
Cash and investment fund balance - ending	\$ 51,343	\$ 167,449	\$ 3,978	\$ 3,738	\$ 101,696	\$ 4,623,548
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,335,160
Restricted assets:						
Cash and investments	51,343	167,449	3,978	3,738	101,696	2,288,388
Total cash and investment assets - December 31	\$ 51,343	\$ 167,449	\$ 3,978	\$ 3,738	\$ 101,696	\$ 4,623,548
Cash and Investment Fund Balance - December 31						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,187,065
Culture and recreation	51,343	-	-	-	-	435,155
Debt service	-	-	-	-	-	323,574
Other purposes	-	167,449	3,978	3,738	101,696	342,594
Unrestricted	-	-	-	-	-	2,335,160
Total cash and investment fund balance - December 31	\$ 51,343	\$ 167,449	\$ 3,978	\$ 3,738	\$ 101,696	\$ 4,623,548

CITY OF WABASH
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PENSION TRUST FUNDS
 For The Year Ended December 31, 2006

	<u>Police Pension</u>	<u>Firefighters' Pension</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 515,607	\$ 720,843	\$ 1,236,450
Plan members	2,392	-	2,392
	<u>517,999</u>	<u>720,843</u>	<u>1,238,842</u>
Total additions			
Deductions:			
Benefits	493,978	689,242	1,183,220
Administrative and general	1,140	3,869	5,009
Other	3,419	4,988	8,407
	<u>498,537</u>	<u>698,099</u>	<u>1,196,636</u>
Total deductions			
Excess of total additions over total deductions	19,462	22,744	42,206
Cash and investment fund balance - beginning	<u>1,095,060</u>	<u>1,081,838</u>	<u>2,176,898</u>
Cash and investment fund balance - ending	<u>\$ 1,114,522</u>	<u>\$ 1,104,582</u>	<u>\$ 2,219,104</u>

CITY OF WABASH
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 PRIVATE-PURPOSE TRUST FUNDS
 For The Year Ended December 31, 2006

	Park Donation	Operation Donation	Total
Additions:			
Contributions:			
Other	\$ -	\$ 330	\$ 330
Deductions:			
Other	-	4,452	4,452
Deficiency of total additions over total deductions	-	(4,122)	(4,122)
Cash and investment fund balance - beginning	2,900	16,729	19,629
Cash and investment fund balance - ending	<u>\$ 2,900</u>	<u>\$ 12,607</u>	<u>\$ 15,507</u>

CITY OF WABASH
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	<u>Payroll</u>	<u>Pension Payroll</u>	<u>City Court</u>	<u>User Fee</u>	<u>Court Costs Due County</u>	<u>Total</u>
Additions:						
Agency fund additions	<u>\$ 3,860,196</u>	<u>\$ 1,174,220</u>	<u>\$ 213,335</u>	<u>\$ 1,827</u>	<u>\$ 6,215</u>	<u>\$ 5,255,793</u>
Deductions:						
Agency fund deductions	<u>3,872,476</u>	<u>1,177,271</u>	<u>213,161</u>	<u>273</u>	<u>6,215</u>	<u>5,269,396</u>
Excess (deficiency) of total additions over total deductions	(12,280)	(3,051)	174	1,554	-	(13,603)
Cash and investment fund balance - beginning	<u>58,190</u>	<u>3,051</u>	<u>9,005</u>	<u>10,017</u>	<u>2,461</u>	<u>82,724</u>
Cash and investment fund balance - ending	<u>\$ 45,910</u>	<u>\$ -</u>	<u>\$ 9,179</u>	<u>\$ 11,571</u>	<u>\$ 2,461</u>	<u>\$ 69,121</u>

CITY OF WABASH
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

December 31, 2006

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 128,447
Construction in progress	96,548
Capital assets, being depreciated:	
Buildings	1,010,388
Improvements other than buildings	14,011,296
Machinery and equipment	<u>534,203</u>
Total Wastewater Utility capital assets	<u>\$ 15,780,882</u>

CITY OF WABASH
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Aerial Fire Truck	\$ 406,178	\$ 74,677
Police Cars - 2005	18,630	18,630
Police Cars - 2006	19,370	19,370
Notes and loans payable:		
Indiana Development Finance Authority	359,856	41,157
Bonds payable:		
General obligation bonds:		
Acquisition and Construction of Major Capital Facilities	<u>1,890,000</u>	<u>160,000</u>
Total governmental activities long-term debt	<u>\$ 2,694,034</u>	<u>\$ 313,834</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Sewage Works Refunding	<u>\$ 4,325,000</u>	<u>\$ 495,000</u>

CITY OF WABASH
OTHER REPORT

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

City Court

CITY OF WABASH
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The City did not maintain an adequate record of capital assets. Historical costs were not available for land and buildings owned by the City. The City did maintain a list of vehicles owned; however, the vehicles were not recorded on the prescribed form. A similar comment appeared in prior Report B27068.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TIMELY PAYMENT OF CLAIMS

Payments for electrical improvements at the airport were not made timely. The City received four advance draws in 2006 from the U.S. Treasury for airport improvements. These funds were held from 23 to 83 days before being disbursed.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF WASTEWATER UTILITY ACCOUNTS RECEIVABLE RECORDS

Daily reports of accounts receivable adjustments did not agree with the adjustments reflected in the monthly reports. Penalties were not always applied correctly and some billings were not always charged at the proper rate per the current rate ordinance. Some delinquent accounts, mainly for those customers with their own well, were not turned over to the City to be pursued in a timely manner. A similar comment appeared in prior Report B27068.

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

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

CITY OF WABASH
AUDIT RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment appeared in prior Report B27068.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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 THE CITY OF WABASH, WABASH COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Wabash (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. The City'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 City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-1.

Internal Control Over Compliance

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

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 City'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

April 25, 2007

CITY OF WABASH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program Community Focus Fund Streetscape Project	14.228	CF-05-224	\$ 320,476
<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		
Operation Pullover		OP-06-02-05-29	3,105
Operation Pullover		OP-07-01-01-33	598
Total for cluster			<u>3,703</u>
Direct Grant Airport Improvement Program	20.106		
Fuel Farm		3-18-0084-6	11,883
Electrical		3-18-0084-7	275,248
Total for program			<u>287,131</u>
Total for federal grantor agency			<u>290,834</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters' Grant	97.044	EMW-2004-FG-13316	112,500
Total federal awards expended			<u>\$ 723,810</u>

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

CITY OF WABASH
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Wabash (City) 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.

CITY OF WABASH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
20.106	Airport Improvement Program
97.044	Assistance to Firefighters' Grant

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, CASH MANAGEMENT

Federal Agency: U.S. Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number: 20.106
Federal Award Number: 3-18-0084-7

Payments for electrical improvements at the airport were not made timely during the audit period. Four federal grant receipts were held from twenty-three to eighty-three days before being disbursed.

Code of Federal Regulations, 49CFR, subtitle A, 19.21(b) states in part: "Recipients' financial management systems shall provide for the following. . . . Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient."

Failure to disburse grant receipts timely could cause the City to be deemed ineligible to receive federal awards in the future.

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

We recommended that the City timely disburse grant funds received in order to avoid penalties and interest and to ensure that federal funds are disbursed in a timely manner.

CITY OF WABASH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



City of Wabash

MEREDITH BROWN
CITY CLERK-TREASURER

CITY HALL
202 S. WABASH ST.
WABASH, IN 46992

(219) 563-4171
FAX (219) 563-0876

April 25, 2007


FINDING NO. 2006-1

Federal Agency: Department of Transportation
Federal Program: Airport Improvement Program
CFDA Number 20.106
Federal Award Number: 3-18-0084-7
Auditee Contact Person: Meredith Brown
Title of Contact Person: Clerk-Treasurer
Phone Number: 260-563-4171
Expected Completion Date: 6/30/07

Corrective Action Planned:

All future federal grant funds received will be disbursed in a timely fashion.

The city officials will work closer with the NGC Grant Manager and Aviation Board to correct the timing issue.


Meredith Brown

4-25-07
Date


Robert Vandlandingham, Mayor

CITY OF WABASH
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2007, with Meredith Brown, Clerk-Treasurer; Robert E. Vanlandingham, Mayor; and Harold V. Chatlosh, Council member. The officials concurred with our audit findings.