

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

ANNUAL FINANCIAL REPORT

2006

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOBLE COUNTY, INDIANA



**FILED**

06/28/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Helen J. Gerke	01-01-04 to 12-31-07
Mayor	Gary Bishop, Sr.	01-01-04 to 12-31-07
President of the Board of Public Works and Safety	Gary Bishop, Sr.	01-01-06 to 12-31-07
President of the Common Council	Kenneth Shuman	01-01-06 to 12-31-07
Superintendent Water Utility	Jeffery Boyle	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Environmental Management Corporation	01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE WATER AND WASTEWATER  
UTILITIES, CITY OF LIGONIER, NOBLE COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the Water and Wastewater Utilities, departments of the City of Ligonier, as of and for the year ended December 31, 2006. These financial statements are the responsibility of the Utilities' management. Our responsibility is to express an opinion 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. 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 opinion.

As discussed in Note I, the financial statements of the Water and Wastewater Utilities, City of Ligonier, are intended to present the financial position, and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Utilities. They do not purport to, and do not, present fairly the financial position of the City of Ligonier as of December 31, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with 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 financial position of the business-type activities for the Water and Wastewater Utilities, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is 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 Utilities' management has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

June 5, 2007

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
STATEMENT OF NET ASSETS  
December 31, 2006

<u>Assets</u>	2006	
	Water Utility	Wastewater Utility
<b>Current assets:</b>		
Cash and cash equivalents	\$ 108,194	\$ 1,512,020
Accounts receivable (net of allowance)	38,620	12,535
Inventories	52,828	-
Prepaid items	4,961	5,488
Total current assets	204,603	1,530,043
<b>Noncurrent assets:</b>		
Restricted cash, cash equivalents and investments:		
Depreciation cash and investments	10,137	143,329
Bond and interest cash and investments	198,368	784,814
Construction cash and investments	37,642	3,797,857
Debt service reserve cash and investments	326,250	628,055
Customer deposits	10,640	-
Interest receivable	2,628	10,550
Total restricted assets	585,665	5,364,605
Deferred charges	106,805	221,583
<b>Capital assets:</b>		
Land, improvements to land and construction in progress	96,278	659,829
Other capital assets (net of accumulated depreciation)	5,414,911	9,637,287
Total capital assets	5,511,189	10,297,116
Total noncurrent assets	6,203,659	15,883,304
<b>Total assets</b>	<b>6,408,262</b>	<b>17,413,347</b>
<u>Liabilities</u>		
<b>Current liabilities:</b>		
Accounts payable	3,971	6,222
Wages payable	9,026	7,211
Taxes payable	2,542	-
Current liabilities payable from restricted assets:		
Accounts payable	-	73,250
Customer deposits	10,640	-
Revenue bonds payable	150,000	185,000
Loan payable	-	22,000
Accrued interest payable	53,996	39,353
Total current liabilities	230,175	333,036
<b>Noncurrent liabilities:</b>		
Revenue bonds payable (net of unamortized discounts and deferred amount on refunding)	3,219,893	7,104,007
Loan payable	-	1,777,000
Total noncurrent liabilities	3,219,893	8,881,007
<b>Total liabilities</b>	<b>3,450,068</b>	<b>9,214,043</b>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,248,101	5,228,549
Restricted for debt service	524,618	1,412,869
Unrestricted	185,475	1,557,886
<b>Total net assets</b>	<b>\$ 2,958,194</b>	<b>\$ 8,199,304</b>

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

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Year Ended December 31, 2006

	2006	
	Water Utility	Wastewater Utility
Operating revenues:		
Metered water revenue	\$ 631,154	\$ -
Fire protection revenue	68,751	-
Penalties	3,687	16,116
Connection fees	13,300	7,140
Measured revenue	-	921,361
Other	12,948	8,280
	<u>729,840</u>	<u>952,897</u>
Total operating revenues		
Operating expenses:		
Operations and maintenance	11,066	11,182
Salaries and wages	153,141	152,294
Employee pensions and benefits	76,068	54,978
Purchased power	22,953	35,468
Sludge removal	-	36,022
Fuel for power production	9,708	10,841
Chemicals	6,230	15,364
Materials and supplies	52,669	21,038
Contractual services	59,044	588,293
Transportation expenses	8,082	10,933
Insurance expense	14,848	15,798
Depreciation	135,987	266,643
Miscellaneous expenses	30,194	23,077
	<u>579,990</u>	<u>1,241,931</u>
Total operating expenses		
Operating income (loss)	<u>149,850</u>	<u>(289,034)</u>
Nonoperating revenues (expenses):		
Interest and investment revenue	30,580	171,628
Interest expense	(165,574)	(300,347)
Amortization expense	(7,042)	(9,407)
	<u>(142,036)</u>	<u>(138,126)</u>
Total nonoperating expenses		
Income (loss) before contributions and transfers	7,814	(427,160)
Capital contributions	-	685,876
Change in net assets	7,814	258,716
Total net assets - beginning	<u>2,950,380</u>	<u>7,940,588</u>
Total net assets - ending	<u>\$ 2,958,194</u>	<u>\$ 8,199,304</u>

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

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Year Ended December 31, 2006

	2006	
	Water Utility	Wastewater Utility
Cash flows from operating activities:		
Receipts from customers and users	\$ 727,897	\$ 951,795
Payments to suppliers and contractors	(219,933)	(787,264)
Payments to employees	<u>(225,756)</u>	<u>(206,805)</u>
Net cash provided (used) by operating activities	<u>282,208</u>	<u>(42,274)</u>
Cash flows from noncapital financing activities:		
Transfer to other funds	-	(500,000)
Transfers from other funds	<u>-</u>	<u>500,000</u>
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Proceeds from capital debt	-	4,000,000
Capital contributions	-	685,876
Acquisition and construction of capital assets	(23,465)	(471,038)
Principal paid on capital debt	(145,000)	(376,000)
Interest paid on capital debt	<u>(164,608)</u>	<u>(300,807)</u>
Net cash provided (used) by capital and related financing activities	<u>(333,073)</u>	<u>3,538,031</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	(136,250)	-
Interest received	<u>27,952</u>	<u>161,078</u>
Net cash provided (used) by investing activities	<u>(108,298)</u>	<u>161,078</u>
Net increase (decrease) in cash and cash equivalents	(159,163)	3,656,835
Cash and cash equivalents, January 1	<u>514,144</u>	<u>2,481,241</u>
Cash and cash equivalents, December 31	<u>\$ 354,981</u>	<u>\$ 6,138,076</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ 149,850</u>	<u>\$ (289,034)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	135,987	266,643
(Increase) decrease in assets:		
Accounts receivable	(2,443)	(1,102)
Allowance for uncollectible accounts	500	-
Inventories	(2,153)	-
Prepaid items	648	749
Increase (decrease) in liabilities:		
Accounts payable	(3,753)	(19,997)
Wages payable	3,453	467
Taxes payable	(136)	-
Customer deposits	<u>255</u>	<u>-</u>
Total adjustments	<u>132,358</u>	<u>246,760</u>
Net cash provided (used) by operating activities	<u>\$ 282,208</u>	<u>\$ (42,274)</u>

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

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements reflect only the activity of the Utilities and are not intended to present fairly the position of the City of Ligonier (City), and the results of its operations and cash flows of its enterprise funds. The Utilities, whose operations are controlled by the City, represents all of the City's enterprise funds.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The activity has been classified Class (A or B), requiring full accrual accounting records, by the National Association of Regulatory Utility Commissioners. However, the utility continues to maintain Class C (cash basis) accounts.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Utility's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because they may be used only for debt service or construction.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings and improvements	\$ 2,500	Straight-line	50 years
Equipment	2,500	Straight-line	15 to 100 years
Water collection systems	2,500	Straight-line	5 to 50 years
Wastewater distribution and collection systems	2,500	Straight-line	10 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the audit period.

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

5. Compensated Absences

- a. Sick Leave – Utility employees earn sick leave at the rate of 56 hours per year. Unused sick leave may be accumulated to a maximum of 168 hours. Accumulated sick leave is not paid to employees upon termination.
- b. Vacation Leave – Utility employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.
- c. Personal Leave – Utility employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

No liability is reported for vacation, sick, and personal leave.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

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 Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

B. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 96,278	\$ -	\$ -	\$ 96,278
Capital assets, being depreciated:				
Improvements other than buildings	4,965,977	10,233	-	4,976,210
Buildings	1,351,617	5,900	-	1,357,517
Machinery and equipment	303,206	7,332	-	310,538
Transportation equipment	60,985	-	-	60,985
Totals	<u>6,681,785</u>	<u>23,465</u>	<u>-</u>	<u>6,705,250</u>
Less accumulated depreciation for:				
Improvements other than buildings	631,048	92,532	-	723,580
Buildings	287,513	26,871	-	314,384
Machinery and equipment	207,228	13,776	-	221,004
Transportation equipment	28,563	2,808	-	31,371
Totals	<u>1,154,352</u>	<u>135,987</u>	<u>-</u>	<u>1,290,339</u>
Total capital assets, being depreciated, net	<u>5,527,433</u>	<u>(112,522)</u>	<u>-</u>	<u>5,414,911</u>
Total Water Utility capital assets, net	<u>\$ 5,623,711</u>	<u>\$ (112,522)</u>	<u>\$ -</u>	<u>\$ 5,511,189</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 6,277	\$ -	\$ -	6,277
Construction in progress	240,432	413,120	-	653,552
Total capital assets, not being depreciated	<u>246,709</u>	<u>413,120</u>	<u>-</u>	<u>659,829</u>
Capital assets, being depreciated:				
Improvements other than buildings	2,342,078	14,735	-	2,356,813
Buildings	9,453,728	-	-	9,453,728
Machinery and equipment	342,296	28,069	-	370,365
Transportation equipment	332,833	-	-	332,833
Totals	<u>12,470,935</u>	<u>42,804</u>	<u>-</u>	<u>12,513,739</u>
Less accumulated depreciation for:				
Improvements other than buildings	380,300	24,920	-	405,220
Buildings	1,910,593	188,598	-	2,099,191
Machinery and equipment	236,929	19,841	-	256,770
Transportation equipment	81,987	33,284	-	115,271
Totals	<u>2,609,809</u>	<u>266,643</u>	<u>-</u>	<u>2,876,452</u>
Total capital assets, being depreciated, net	<u>9,861,126</u>	<u>(223,839)</u>	<u>-</u>	<u>9,637,287</u>
Total Wastewater Utility capital assets, net	<u>\$ 10,107,835</u>	<u>\$ 189,281</u>	<u>\$ -</u>	<u>\$ 10,297,116</u>

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the Utility as follows:

Water	\$ 135,987
Wastewater	<u>266,643</u>
 Total depreciation expense	 <u>\$ 402,630</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	Total Project Authorized	Expended to December 31, 2006	Committed
Wastewater plant upgrade	\$ 3,517,600	\$ 518,578	\$ 3,517,600
McLean Street infrastructure	<u>189,492</u>	<u>134,974</u>	<u>189,492</u>
 Totals	 <u>\$ 3,707,092</u>	 <u>\$ 653,552</u>	 <u>\$ 3,707,092</u>

D. Long-Term Liabilities

1. Revenue Bonds

The Utility issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount	Less: Deferral on loss of Refunding: Bond Discount	Revenue Bond
Water Utility:				
Waterworks revenue bonds of 1998	4.10% to 5.25%	\$ 2,100,000	\$ 25,451	\$ 2,074,549
Waterworks revenue bonds of 2003	1.40% to 5.00%	<u>1,310,000</u>	<u>14,656</u>	<u>1,295,344</u>
Total Water Utility		<u>3,410,000</u>	<u>40,107</u>	<u>3,369,893</u>
Wastewater Utility:				
Tax increment and sewage works refunding revenue bonds of 2005	2.25% to 4.50%	3,965,000	615,994	3,349,006
Tax increment and sewage works revenue bonds of 2006	4.30% to 4.75%	<u>4,000,000</u>	<u>60,000</u>	<u>3,940,000</u>
Total Wastewater Utility		<u>7,965,000</u>	<u>675,994</u>	<u>7,289,006</u>
Totals		<u>\$ 11,375,000</u>	<u>\$ 716,101</u>	<u>\$ 10,658,899</u>

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Water Utility		Wastewater Utility	
	Principal	Interest	Principal	Interest
2007	\$ 150,000	\$ 158,995	\$ 185,000	\$ 170,051
2008	155,000	152,868	370,000	331,547
2009	165,000	146,151	385,000	319,203
2010	170,000	138,833	400,000	305,543
2011	175,000	131,103	415,000	290,758
2012-2016	1,035,000	519,035	2,325,000	1,184,343
2017-2021	1,345,000	231,971	2,885,000	619,210
2022-2026	215,000	10,875	1,000,000	47,856
Totals	<u>\$ 3,410,000</u>	<u>\$ 1,489,831</u>	<u>\$ 7,965,000</u>	<u>\$ 3,268,511</u>

2. State Revolving Loan Fund

Under the terms of the state Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank. The proceeds of which were used to finance the construction of improvements to the Wastewater Utility. Funds were loaned to the City as construction costs accrued to the maximum allowed. The 2002 loan established a maximum draw of \$1,880,000. At the completion of construction, the outstanding principal balance of \$1,880,000 was amortized over a period of 40 years. Annual debt service requirements to maturity for this loan, including interest of \$1,702,479, is as follows:

2007	\$ 100,466
2008	100,503
2009	100,475
2010	71,403
2011	101,266
2012-2016	504,472
2017-2021	504,678
2022-2026	505,047
2027-2031	504,325
2032-2036	504,084
2037-2041	<u>504,759</u>
Total	<u>\$ 3,501,478</u>

3. Advance Refunding

In the prior years, the Utilities defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the Utilities' financial statements. At December 31, 2006, \$4,215,000 of bonds outstanding are considered defeased.

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable:					
Water Utility	\$ 3,555,000	\$ -	\$ 145,000	\$ 3,410,000	\$ 150,000
Wastewater Utility	<u>4,320,000</u>	<u>4,000,000</u>	<u>355,000</u>	<u>7,965,000</u>	<u>185,000</u>
Total revenue bonds payable	7,875,000	4,000,000	500,000	11,375,000	335,000
Loan payable	<u>1,820,000</u>	<u>-</u>	<u>21,000</u>	<u>1,799,000</u>	<u>22,000</u>
Total long-term liabilities	<u>\$ 9,695,000</u>	<u>\$ 4,000,000</u>	<u>\$ 521,000</u>	<u>\$ 13,174,000</u>	<u>\$ 357,000</u>

E. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 10,640
Revenue bond debt service accounts	1,937,487
Revenue bond construction accounts	3,835,499
Depreciation accounts	<u>153,466</u>
Total restricted assets	<u>\$ 5,937,092</u>

III. Other Information

A. Risk Management

The Utilities are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

Workers' Compensation

During 1997, the Utilities joined together with other governmental entities to form the Indiana Public Employers Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for approximately 350 member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of workers compensation claims. The Utilities pay an annual premium to the risk pool for their coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure

1. Water Utility

The current rate structure was approved by the Utility on February 24, 2003.

2. Wastewater Utility

The current rate structure was approved by the Utility on November 16, 2006.

The total number of customers for both Utilities combined is 1,362.

C. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City, including the Utilities, 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 Utilities 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

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Utilities' 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 Utilities is not available. Therefore, the liability for Net Pension Obligation (NPO) is considered an obligation of the City as a whole and is not presented as an asset/liability of the proprietary funds.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 24,807
Interest on net pension obligation	(2,665)
Adjustment to annual required contribution	3,037
Annual pension cost	25,179
Contributions made	22,360
Increase in net pension obligation	2,819
Net pension obligation, beginning of year	(36,757)
Net pension obligation, end of year	\$ (33,938)
Contribution rates:	
City	4.75%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	4 year smoothed market

Actuarial Assumptions

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

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
NOTES TO FINANCIAL STATEMENTS

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	06-30-04	\$ 14,523	129%	\$ (40,713)
	06-30-05	22,970	83%	(36,757)
	06-30-06	25,179	97%	(33,938)

WATER AND WASTEWATER UTILITIES  
CITY OF LIGONIER  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

PERF Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 402,011	\$ 406,854	\$ (4,843)	99%	\$ 505,217	(1%)
07-01-05	417,085	426,738	(9,653)	98%	472,009	(2%)
07-01-06	488,853	471,818	17,035	104%	505,122	3%

WATER AND WASTEWATER UTILITY  
CITY OF LIGONIER  
AUDIT RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

The City has an ordinance (No. 581) concerning customer deposits. However, the provisions of the ordinance are not being followed.

- (a) The deposit is being charged to renters only. The ordinance states that the deposit is to be required of all applicants for service.
- (b) The deposits are not being refunded to customers when the requirement for timely payments is met, as required in the ordinance.
- (c) The ordinance states that deposits held more than 12 months are to earn interest at the rate of 3% per annum, but no interest is accrued.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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.

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. . . ."

WATER AND WASTEWATER UTILITY  
CITY OF LIGONIER  
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2007, with Helen J. Gerke, Clerk-Treasurer. The official concurred with our audit findings.